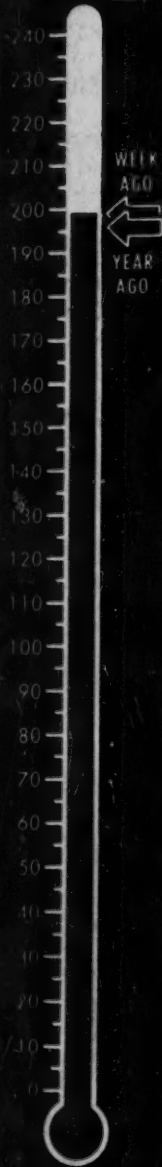


BUSINESS WEEK

DEC. 25, 1948



Harold Borschenstorf: Raising the curtain on Owens Corning Fiberglas, new textiles (page 6)

BUSINESS
WEEK
INDEX

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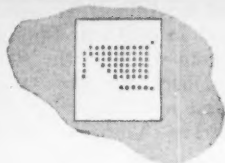
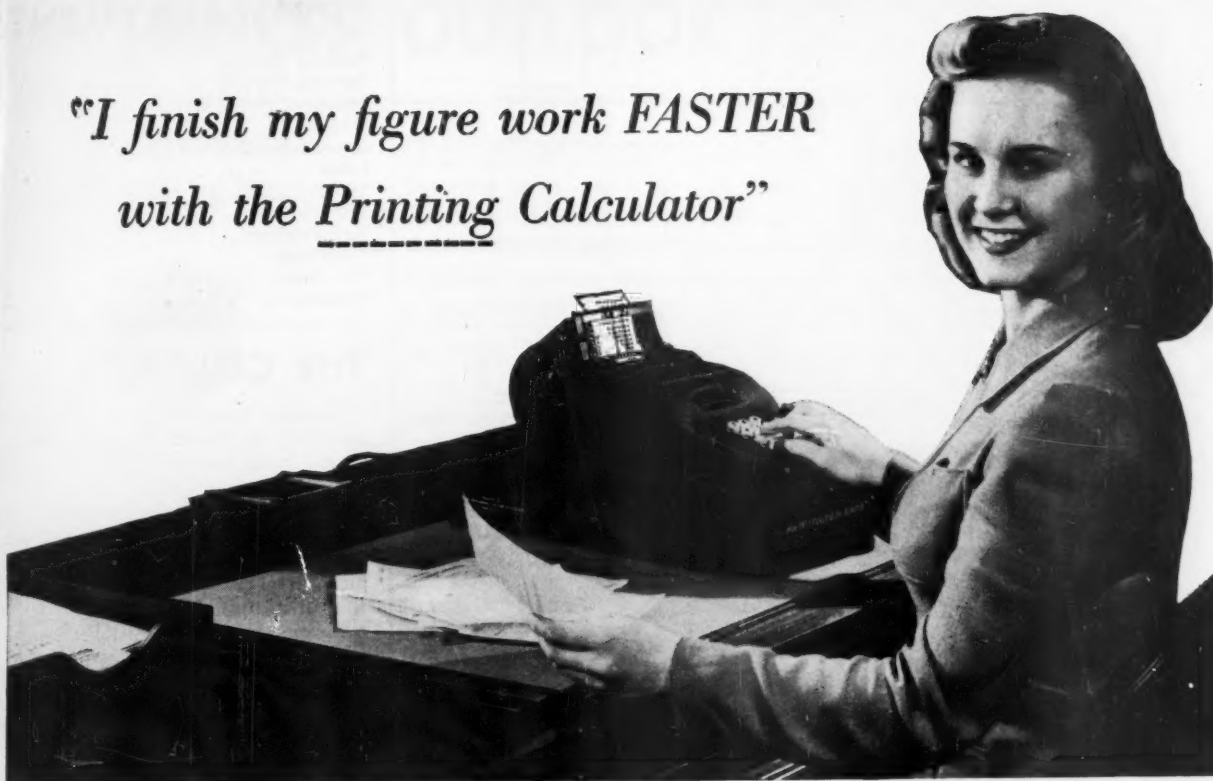


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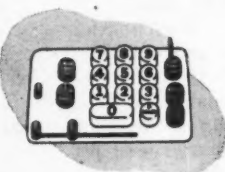
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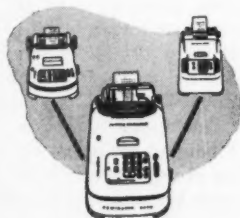
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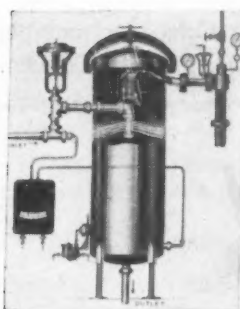


Ruler of an Industry!

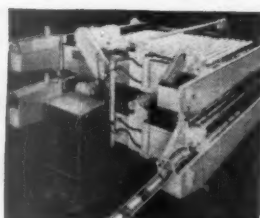
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THE DEPARTMENTS

Business Abroad	73
Business Outlook	9
Figures of the Week	13
Finance	54
International Outlook	71
Labor	62
Marketing	48
The Markets	60
New Products	43
Production	31
The Trend	80
Washington Outlook	15

THE COVER

Harold Boeschstein, 51-year-old president of Owens-Corning Fiberglas Corp., looks younger than he is, acts younger than he looks.

The history of Boeschstein as president of Fiberglas is exactly as long as the history of the company. He was picked to head the organization at the time of its formation in 1938.

• **Prospecting**—Boeschstein stabbed out in several directions before settling on the glass industry. After World War I and graduation from the University of Illinois, he took a job as a teller in his father's bank at Edwardsville, Ill. Five months later his restlessness moved him into a post on the Illinois Terminal, a 21-mile railroad in southern Illinois.

The next jump was into the Illinois Glass Co.—and back out again to take over a drug house in Chicago. He pulled it out of the red in 18 months, returned to the Illinois Glass Co. From then on, the story was all glass.

Eventually Boeschstein became vice-president and general manager of Owens-Illinois Glass Co., a job he held until the formation of Fiberglas Corp. At Owens-Illinois he coordinated 22 plants and 30 sales branches.

• **Market Builder**—Boeschstein is active, aggressive, a compelling salesman. His sales ability, however, does not obscure his belief that research lies at the beginning of a sales job. He fostered the research which led to the formation of Owens-Corning Fiberglas Corp. With one result of that research—new window curtains of Fiberglas—he hopes to make inroads on the consumer textile market. This is one spot his company has barely touched.

During World War II, Boeschstein served with the War Production Board, ended up as operations vice-chairman.

In Toledo, where he makes his home, Boeschstein is active in civic affairs, has headed two Community Chest campaigns. When he's not at home—or busy making and selling Fiberglas—you may find him at the Links or University Clubs in New York, or the University Club in Chicago.

—Complete story on new Fiberglas textile starts on page 48. Cover painting by Tran Mawicke

BUSINESS OUTLOOK

BUSINESS WEEK

DECEMBER 25, 1948



Christmas sales this week closed on the holiday season's best note.

Excellent gains over a year ago were posted. But this was inevitable. Christmas day last year came on Thursday; thus, there were five shopping days in the Christmas week this year and only three in 1947.

Anything less than a smacking gain would have been a shock indeed.

It remains to be seen whether late increases offset earlier declines from year-ago levels. You'll get the answer in January sale ads.

Analyzing results of holiday trade will be more than just a post-mortem. It will provide an index to new orders for consumers' goods.

Stores that cleared their shelves will call on manufacturers for new stock. But if inventories generally are excessive, look out.

Most merchandisers have tried every way they know to work down stocks before the year end. Big promotion, cut prices have been used.

One New York store, for instance, had pure silk scarves that formerly were priced at \$2.95 on the bargain counter at \$1.19 this week.

Late last week, another top Gotham department store marked down everything in the skirt department about 20%. Explanation: "Overstocked."

Final results of Yule sales may have far-reaching influence on the steel situation, illogical as that sounds.

The point is this: "Miscellaneous" uses of steel make all the difference between adequate supplies and a pinch. This miscellany represents a host of steel products—from refrigerators to can openers and safety pins.

There have been signs that the public wasn't anxious to buy a lot of these things. If this proves true, production of such items will slow down. This will pare demand for steel, at least a little.

Gray market easiness is the only sign of a better steel supply so far. Sheet prices, for example, have slid from about \$270 a ton to \$170.

Yet you never would guess the situation was easier by looking at mill business: Buyers clamor for deliveries, see their orders scaled down.

Nevertheless, steel salesmen hear customers talk about not buying any more gray-market steel and of slowing down on conversion deals.

Steel men hope supply and demand are finally coming into balance. If nothing else, this would blunt the arguments for more capacity.

And, as they watch, the steel makers have a plan of their own to help the situation. Where they suspect a customer has more steel inventory than he needs, they urge him to sell it back to the mill, not the gray market.

If this plan nets any appreciable amount of steel, particularly of sheet, the steel mills plan to allot it to the auto industry as a bonus.

Fewer purchasing agents in the Chicago area are paying premium prices for steel these days.

Their association questioned them on that in September. At that time, about 14% of their steel was being bought at premium prices of one kind or another. In November, the figure had dropped to 7%.

Steel mills are doing all they can to relieve the shortage. Their output

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
DECEMBER 25, 1948

for the fourth quarter of 1948 has been running at an annual rate of over 94-million tons. This, if maintained, would beat even the wartime peak year of 1944. It is doubtful, however, if 1949 can top 92-million.

If metal-working industries actually are using less steel now than a few months ago, demand for nonferrous metals will decline, too.

Just as in steel, though, producers do not yet feel such a decline.

Here is a straw in the wind, however. Premiums paid for copper and lead reclaimed from scrap aren't as steep as they have been recently.

A month ago, a user of these metals couldn't get anything like as much virgin pig as he wanted. So he went into the scrap market and paid substantially more for secondary than the base price for primary metal.

Akron is looking forward to another whopping rubber year in 1949.

Nevertheless, the character of the market is changing. Some of the sustaining factors of 1948 have disappeared.

Size of the replacement market has been reduced. All those old cars on the road look like a gold mine to auto manufacturers (page 19); however, they have been provided with 150-million new tires since the war ended.

Moreover, tire manufacturers have built their inventory up from about 5-million casings to a present total of 10-million in 18 months.

Rubber consumption in the United States in 1948 will exceed a million tons for the third year in a row. Including natural crude and synthetic, 1948 consumption is estimated at 1,075,000 tons.

A good prewar year was about two-thirds of that.

Foreign markets aren't being any too kind to poor old King Cotton.

U. S. exports in the first three months of the current crop year were at an annual rate of less than 2¼ million bales. The trade would be much happier if it could ship 3-million to 3½ million.

Exports of cloth and yarn for 1948 are down about 40%, says the Cotton Textile Institute.

This drop represents about 560,000 bales of raw cotton. The home market is taking about 9-million bales of cotton in textiles, the same as in 1947. Mill output is off by just the amount of the export dip.

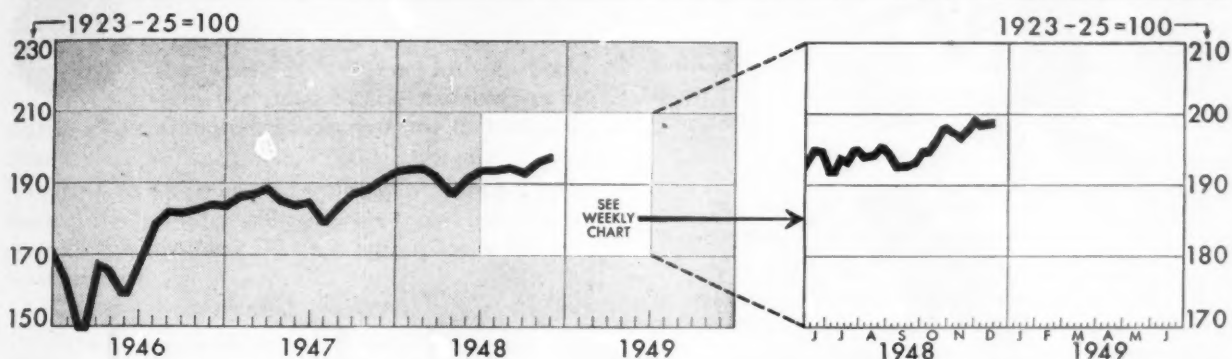
Prospects of another bumper wheat crop in 1949 could hardly be brighter—at this time of year.

The price of wheat still is very attractive. Farmers, instead of cutting winter wheat acreage, have planted an estimated 61,370,000 acres. That's more than 3-million acres larger than last fall's planting.

Short story: Television continues to boom (BW-Dec.18'48,p101). Set output in November totaled 122,304—28% higher than in October.

But the stock market tempers enthusiasm with caution. The bears added substantially to their short sales of television stocks on the New York Stock Exchange between the middle of November and Dec. 15. As an extreme example, the short position in Farnsworth grew from 4,100 shares to 20,728 in that period.

FIGURES OF THE WEEK



Business Week Index (above) *199.8 †199.4 198.3 196.3 162.2

PRODUCTION

Steel ingot operations (% of capacity).....	88.6	100.0	99.2	86.6	97.3
Production of automobiles and trucks.....	125,452	†124,041	120,718	120,657	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$31,894	\$29,261	\$20,505	\$21,886	\$19,433
Electric power output (million kilowatt-hours).....	5,790	5,705	5,627	5,368	3,130
Crude oil (daily average, 1,000 bbls.).....	5,645	5,620	5,659	5,284	3,842
Bituminous coal (daily average, 1,000 tons).....	1,983	†1,914	2,117	2,191	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	80	81	84	86	86
All other carloadings (daily average, 1,000 cars).....	51	53	61	56	52
Money in circulation (millions).....	\$28,369	\$28,415	\$28,215	\$28,923	\$9,613
Department store sales (change from same week of preceding year).....	-1%	†-5%	-9%	+10%	+17%
Business failures (Dun & Bradstreet, number).....	96	122	126	91	228

PRICES (Average for the week)

Cost of Living (U. S. Bureau of Labor Statistics, 1935-39 = 100), Oct. . .173.6	174.5	163.8	105.2
Spot commodity index (Moody's, Dec. 31, 1931=100).....	393.3	394.4	401.9	457.7	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	278.0	279.5	280.9	295.2	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)...	311.8	314.1	317.2	415.3	146.6
Finished steel composite (Steel, ton).....	\$95.50	\$95.50	\$95.05	\$76.09	\$56.73
Scrap steel composite (Iron Age, ton).....	\$43.00	\$43.00	\$43.00	\$39.75	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	23.500¢	23.500¢	23.500¢	21.500¢	12.022¢
Wheat (Kansas City, bu.).....	\$2.27	\$2.32	\$2.31	\$3.02	\$0.99
Sugar (raw, delivered New York, lb.).....	5.59¢	†5.67¢	5.68¢	6.32¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	32.09¢	32.15¢	31.68¢	35.57¢	13.94¢
Wool tops (New York, lb.).....	\$1.695	\$1.689	\$1.695	\$1.887	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	18.85¢	19.25¢	19.40¢	21.75¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	120.5	121.1	120.7	120.7	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.54%	3.54%	3.53%	3.52%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.79%	2.80%	2.82%	2.85%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	1½-1½%	1½-1½%	1½-1½%	1½%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1½-1½%	1½-1½%	1½-1½%	1½%	1-½%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	48,290	47,584	46,907	49,160	††27,777
Total loans and investments, reporting member banks.....	62,870	62,558	62,647	65,385	††32,309
Commercial and agricultural loans, reporting member banks.....	15,595	15,459	15,568	14,619	††6,963
Securities loans, reporting member banks.....	1,742	1,827	1,480	1,870	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks.....	33,440	33,179	33,525	37,653	††15,999
Other securities held, reporting member banks.....	4,141	4,177	4,178	4,214	††4,303
Excess reserves, all member banks.....	1,260	670	880	1,165	5,290
Total federal reserve credit outstanding.....	23,919	23,727	23,834	22,738	2,265

*Preliminary, week ending December 18th.

†Revised.

††Date for "Latest Week" on each series on request.
††Estimate (BW—Jul.12'47,p16).



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is moving
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WASHINGTON OUTLOOK



. . . FOR '49

This week, as last year, we step back from the news of the moment for a sizeup of Washington, of government in the year ahead.

It looks like a year of walking a tightrope: balancing the military obligations of our diplomacy against the new New Deal's program for economic development.

The new year starts with one fundamental advantage over the last two: Party responsibility returns to government; Truman will be in the White House in his own right and a friendly majority of liberal-labor-farm Democrats will control Congress.

The natural bent of a government of this complexion would be to open the stops for federal planning—social and economic. Indeed, the Democrats feel they were elected to do just that.

But two hard realities stand in the way:

- The cost of keeping the nation's commitments to contain Russia are increasing. The token rearmament program that started last spring—the draft, more planes—will cost more next year, and there are munitions for western Europe to be added, too.
- The U. S. economy has precious little room for more expansion. Even now you have a kind of rationing in steel.

So those coming into new power must take on the frustrating job of reconciling political promises with world commitments. That's what we mean by a year of tightrope walking.

Take the squabbling over how much military spending as an example.

If Congress votes more than Truman's \$15-billion budget item—and we believe it will—the remedy will be to figure out some counterbalancing measures.

What kinds? Well, defer some public-works construction, perhaps. Or impose allocation controls—that way you could schedule the munitions and the dams too, squeeze out some private project at the other end.

We see higher taxes on business to pay for the increased spending, no matter how it's divvied between military and civilian.

You can put this down as hard and fast: Short of war, government will avoid going back into the red.

How much higher your taxes will go hinges not only upon the things we have mentioned, but also upon how much more welfare legislation there is going to be. We see a good bit of this.

No war in 1949—that's still the prospect. Washington is basing its policies accordingly.

You see it in the debate over the dimensions of military spending: The difference between Truman's \$15-billion and the Pentagon's \$17½-billion is simply a disagreement over the cost of doing the same job.

The fact is that the current preparedness program is not preparation for war, for fighting. After all, the draft and the new planes are just a warning that the U. S. is willing and prepared to fight if necessary.

The military's strategic concept for actual operations in case of attack calls for a lot more planes, more ships, more men. To have enough to meet attack even by 1952 would require spending perhaps \$30-billion next year, instead of \$15-billion or so.

Only a crisis comparable to the fall of France in 1940 would get serious consideration for spending of this magnitude.

But the U. S. will expose itself to an added risk of war in 1949—in the hope of bolstering the chances for peace.

We mean the coming renunciation of the policy of no entangling alliances, the formal expansion of Western European Union into a regional-security arrangement called the North Atlantic Community.

The heart of the scheme is a pledge by the U. S. and Canada to come to the aid of West Europe in the event of attack.

The pact will be ready for Senate ratification sometime in March; its approval is certain. When that comes, the U. S. plans to begin shipping arms to Europe to prop up the West's defenses on the East-West front.

Militarily, munitions for Europe are a start toward joint planning, standardization of equipment, a unified defense command. It's common gossip that Montgomery, now military chief of West Europe, is just a stand-in for an American generalissimo.

More importantly, munitions for Europe are intended to remedy a serious deficiency in the

WASHINGTON OUTLOOK (Continued)

Marshall Plan: the tendency of each nation to insist upon perfecting its national security at the expense of continental economic cooperation.

Increased regulation of your business is in store for you in 1949, in addition to whatever controls result from decisions on spending.

All the New Deal regulatory agencies will tend to be more zealous because of what they regard as their election mandate.

Democrats stay in office to prosecute a bulging docket of antitrust cases; they had piled it up with an eye to perhaps embarrassing Republicans if the G.O.P. got in.

Legislatively you can look for: (1) enactment, finally, of Kefauver's bill regulating acquisition of corporate assets; (2) a fight to repeal the law exempting railroad rate bureaus from antitrust laws; (3) federalization of the tidelands.

And you'll have to play your own hunch as to what delivered pricing is legal; Congress won't help with a clear-cut definition.

Beyond these things, however, we see as far more significant the emergence of a new concept of what government's role should be in the making of economic decisions.

Baldly stated: Expansion of productive facilities needed to serve the national development cannot be left solely to private corporate decision.

You will see legislation introduced next year that seeks to apply this concept in steel, in synthetic oil. The idea is that government decides how much more capacity is needed, offers taxpayer-financing to industry to build the plant.

If industry declines the option, the legislation provides that government get into the business itself.

We don't see at this point how far this idea will get next year. But the pressure is coming from the westerners, the labor bloc, from Sen. Murray, from Krug.

The food problem next year becomes the farm problem again, after 10 years.

And that brings up for review—and a showdown—the issue of flexible price supports vs. a flat guarantee coupled with tough acreage limitations.

Last year's Republican Congress voted for the flexible program as a permanent thing, beginning in 1950. But the tobacco-cotton-peanut growing

southerners will have more say next year; they are used to acreage restrictions and they want price supports kept high.

Bumper harvests again next year could scare midwestern grain farmers, up to now the bulwark of the flexible system.

But even bumper crops next year won't mean any substantial dip in food prices; the 90%-of-parity floor holds through 1949. Meat is about the only basic food still selling much above the parity price.

For labor, despite its victory at the polls, next year is the year when "rounds" of wage increases go out of style.

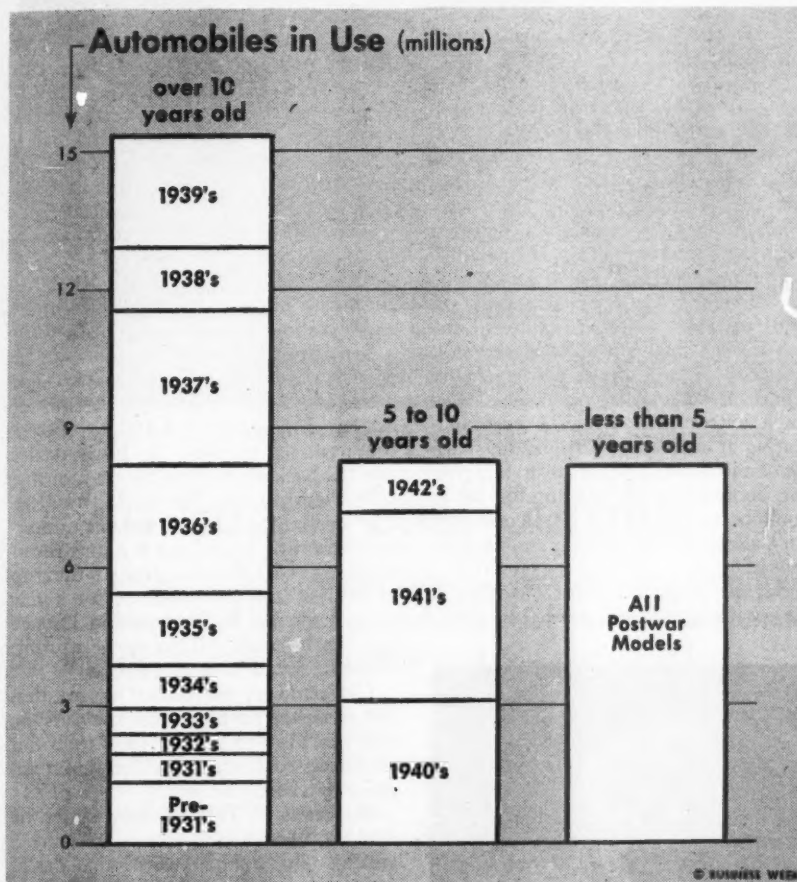
Settlements in 1949 will vary by industries and by plants within industries—more than any time since the war. We figure that the average boost will fall between 5¢ and 10¢ an hour.

What labor wants most next year is a new law. It will get one—something a little closer to the Wagner act than to Taft-Hartley.

Add it all up, the good and the bad, and you still have the makings for another prosperous year. Washington figures that government spending will take up much of any slack that shows up in the economy, that the new business it will pass out will ease the pain of higher taxes, increased supervision.

And so, on that note, all of us in the Washington Bureau of Business Week extend to you the season's greetings—

George S. Loring
Paul R. Seach
Glen Bayless
Tom Fales
Donald A. Loomis
Parter Field
Lady's Montgomery
Joseph Gambatese
Seabrook Hull
Seymour Nagam
Caroline Robertson
Vincent B. Smith
Louise Jacobson
Sam Justice
Bill Whiskard



CARS OVER 10 YEARS OLD make up almost half of all in use today. That's . . .

The Real Backlog for Autos

The huge postwar demand has slacked off; there's a buyers' market now for some makes. But replacement of over-age cars can keep Detroit busy for years—if prices don't go too high.

The auto market is turning into a buyers' market. The change is just beginning; but it's unmistakable.

Detroit faces a very special kind of buyers' market. By all the evidence, the auto makers can go on for years making cars—and selling them—at least as fast as they're making them now. But to do it, they will have to produce models and price lines that appeal to the public. The days are already over when customers would fight for anything with wheels and a gasoline engine. Before many months, it now seems certain, the cus-

tomers will be calling Detroit's production tune.

• **Demand Unlimited, If . . .**—As far as the need for cars goes, the over-all demand is as solid as a rock. If people wanted new cars no more urgently than they did in the thirties and early forties, they would still keep Detroit going full tilt for another five years. It would take that long just to replace the aged jalopies still struggling along the roads (chart).

But that's no indication, even today, that the demand is unlimited for every

price and kind of car. Last week a BUSINESS WEEK survey of auto-dealer experience over the country made that clear. The survey found that:

If you want one of the less popular makes—Nash, Hudson, Kaiser, Frazer—your dealer probably can give you the model you want immediately.

The heavier, higher-priced models of most makes—the Chrysler New Yorker, for instance, or the Studebaker Land Cruiser—often are available on a come-in-and-drive-it-away basis.

Prices on new-used cars have broken 5% to 25% since last summer (BW—Nov. 20'48, p38). In some areas, new-used cars are selling at no more than list.

More and more prospects are backing out when their names come up on dealers' lists. Some dealers say they have to make half a dozen calls or more to find a buyer, even when they have taken deposits.

There still is a solid backlog of orders for the smaller models of the popular makes. And customers rarely pass up the chance when their names get to the top of these lists.

• **What Car?**—In most districts, you would have to wait nine months to a year for a Chevrolet, six months to a year for a Ford, a little less for a Mercury. Six to eight months is about average for a Studebaker Champion. Plymouth ranges from six months to a year, Dodge about six months. The Buick Super takes around a year of waiting, but you can get the heavier Roadmaster in four to six months.

Cadillac is the notable exception to the downgrading tendency. Most Cadillac dealers report backlogs of 18 months to two years. Packard's lowest-priced eights take two to four months. Heavier Packards range from a few weeks to immediate delivery.

• **Little Faith in Lists**—With this sort of car-by-car variation showing up, few dealers or manufacturers are putting too much faith in the long lists of waiting customers in their files. Most dealers report the lists have been shrinking steadily in recent weeks. Fewer new orders are coming in. More prospects are getting their deposits back or telling the dealer to scratch their names. And most dealers figure that, of the names they keep on their lists, 10% to 50% will back out when delivery day comes.

The real backlog is not found on the

waiting lists. It's in the adding machines of the Detroit statisticians. They figure it this way:

Assume a normal life of 10 years for a car. Then something like 15.3-million cars already are running on borrowed time. Allowing for the ones that were scrapped this year brings it down to about 14-million. That still is close to half of all the cars now on the highways.

This year, around 3.5-million new cars went into domestic use. At that rate it would take close to four years to replace the cars that are now outdated. And in those four years, another 8.3-million, manufactured in 1940, 1941, and 1942, would hit the 10-year mark. That's another 2½ years' production.

• **Able To Pay**—These figures don't allow anything for population increase or higher buying power in comparison with the prewar period. The total number of cars in operation now is only about 4-million more than it was in 1940. But since 1940, population has increased about 10%. And incomes have soared.

Car prices, of course, have soared too. Nevertheless, M. E. Coyle, executive vice-president of General Motors, estimated this week that the number of people financially able to buy a car has increased about one-third over prewar.

• **Customer Takes Charge**—That's a reassuring backlog of demand—all that any

industry could ask for. It's only vulnerable to one thing: customer attitude. The backlog is based on the assumption that the average auto owner will junk his car when it gets about 10 years old. He's sure to get rid of it sometime. But if he doesn't like the new models, if the price is wrong, he can always decide to let the 10-year-old buggy do for a while longer. And if a lot of drivers decide that way all at once, it can make a bad year for Detroit.

Right now it's the possibility of price resistance that worries the dealers. One remark, with unconscious irony: "People now buying have cash or mostly cash. Salaried men and wage earners are not able to buy cars any more."

• **Nightmares**—The thought of another price rise in automobiles sends a quick shiver down the spines of the men who sell them. A Chrysler dealer in the South says sourly: "If our company follows the movement for another increase in prices the first of the year, I do not believe we are going to be annoyed much longer with would-be customers beating at our doors. I think the shortage of automobiles will be over, and over fast, because a very great number of our would-be customers will just decide they can't afford an automobile and to heck with it."

But other dealers point out that, if the customers resist, they can make

what amounts to a price reduction by taking off accessories. And they figure that at the first sign of a wobble in the market the auto makers could bring out lower-priced lines.

• **Around the Country**—Here is the way more or less typical dealers in some of the cities covered by the BUSINESS WEEK survey size up their situation:

Chicago—A Ford dealer in the Loop still has a backlog of orders, at present delivery rates, of two years or more. But a few months ago his backlog was 30 months, and he predicts it will shrink to 18 months before long. He blames high prices and normal seasonal decline.

Hartford—A Chrysler-Plymouth dealer reports a six- to 12-month backlog, but it is dwindling. Hudson promises "straightaway" delivery on a \$2,440 model. Nash can give immediate delivery on its Ambassador; its "600" series requires about a three-month wait.

San Francisco—A Chevrolet dealer says he has a 12-month backlog, and thinks all of it is solid orders. His order list has dropped from 1,100 to 900 in the past six months. A Ford dealer says his backlog is down to six months; last August it was up to 15 months. This dealer says: "We threw our numerical list away. Found out it didn't mean anything. We'd call a man at the top of the list and he'd stall us for a few days while he looked around to see whether he could sell the car at a profit. Then he'd call back and cancel."

Cleveland—A big dealer figures that the monthly payments on the cars he sells run \$110 to \$120. "That rules out all buyers who aren't in the upper income brackets," he says.

St. Louis—A Packard dealer says he could sell 10 times as many cars as he is getting. But a Plymouth-Dodge dealer estimates over-all demand is off 20% from last year. Since Sept. 20, about 40 out of 100 orders on his books have been canceled because of advances in list prices.

Seattle—Dealers are much concerned about Regulation W (which requires a one-third down payment, and limits the term for the rest to 18 months). A Kaiser dealer says his sales have been cut in half since credit control came back.

Des Moines—There has been a pickup in the used-car market lately, but prices on the new-used-car lots are much closer to list than they have been for the past couple of years. Used-car dealers will not pay over list for De Soto, Nash, Hudson, Kaiser, Frazer, or Packard.

Dallas—The more expensive cars—Lincolns, Packards, and heavier models of other makes—are available immediately at list and without extra accessories. There's a waiting list for the others. A Ford dealer has a backlog of 3,000 orders, with monthly deliveries of 50 to 60. Chevrolet list is 3,000 to 4,000, monthly deliveries 60 to 100.



Harvard Students Attend "Stockholders Meeting"

These intent young men are students at Harvard's College of Business Administration. Clutching annual reports and company literature, they are playing the role of stockholders at an "annual meeting" of General Mills, Inc. Harry A. Bullis, board chairman of General Mills, and Gordon C. Hallhorn, controller, answered questions on company

policy, profits, research. This make-believe meeting was the second held at a college as part of General Mills' drive to promote public understanding of how a big corporation works; the first was at the University of Michigan. General Mills also holds regional meetings for real stockholders to get a broader base for attendance.



HUGE COAL PILE at Ford is typical of high industrial stocks. They are one reason why...

Lewis Fears Coal Surplus

Miners' chief threatens either a "holiday" or a short work week to keep all of his men at work. His chief worry: Mines turning out poor-quality coal have been closing down right and left.

John L. Lewis doesn't like the way the coal-mine operators run their business. That, in itself, isn't too startling: The United Mine Workers' boss has been feeling that way for years. But this time Mr. Eyebrows seems to feel that he and his union are strong enough to do something about it.

The U.M.W. Journal puts it this way: "Lack of qualified, trusted leadership [among the coal operators] to cope with the industry's problems on a national basis has forced U.M.W. to be prepared to lead the way to stabilize operations in the event the declining market for coal softens to the point where a repetition of the disastrous cut-throat competition of the 20's and early 30's is threatened."

• **Supply and Demand**—The background for all this is the fact that over-all bituminous-coal output has caught up with demand—may even have passed it (BW—Oct. 27 '48, p. 26). Industrial stocks of soft coal today are the highest since 1927 except for the war years—about 68,954,000 tons on hand. Industry has an average of 45 days' supply on hand; electric-power utilities have 85 days' supply, 39% ahead of a year ago, and the highest on record. These big stocks were built up by high strike-free production this spring and summer.

That's one of the reasons why the

coal shortage is no longer with us. The other is the fact that exports have dropped way off. Total soft-coal exports in the first 10 months of 1947 were 58,597,000 tons. This year they were only 40,037,000 tons.

• **Choice**—The result has been that consumers are once more able to be choosy about the quality of coal they buy. In the immediate postwar period they were so anxious for coal that they would take anything they could get. So a lot of shoestring operators sprang up (the industry calls them "snowbirds"). They weren't a bit particular how much dirt and other inert material they dug along with their coal.

(The industry has a story about a consumer who bought a carload of coal from one of the snowbirds. For some reason, not specified, he wasn't able to use it right away, and let it sit on his siding. When he got around to it, he found a nice crop of potato plants growing out of the top of the load.)

Be that as it may, it's the snowbirds who have been hit by the new supply-demand balance. Most of the big coal operators say that the market for good-quality fuel is still firm. But the boys turning out the poor-quality stuff have been closing up shop right and left.

• **Lewis' Worry**—And that, in essence, is what's eating John L. He's afraid

that the present situation is similar to "conditions in the 20's."

In those days, he told the U.M.W. convention recently, "the coal operators . . . would close their mines for an indefinite period. When our people were starved into submission locally, they would . . . operate their mines nonunion at a lower wage scale. This, in turn, would create the necessity for other operators doing the same thing. . . ."

• **Lewis' Threat**—To prevent that from happening again, Lewis threatens to order his miners to work shorter weeks. He put it to the convention like this:

"When the disparity of employment gets to the point where it constitutes a rank injustice and lack of opportunity for our members to work, U.M.W. itself may find it necessary to advise our members how many days a week they need to work. . . ."

"So . . . when evil days come upon this industry, you will find U.M.W. moving in, and if there are only three days' work in this industry, we will all have three days' work. . . . If we are going to starve in this industry at any time, we will just all starve together."

• **Holiday?**—Since the convention, Lewis may have come up with another idea: There's a rumor floating around that he may call a holiday in the mines. The week between Christmas and New Year's is the one most prominently mentioned.

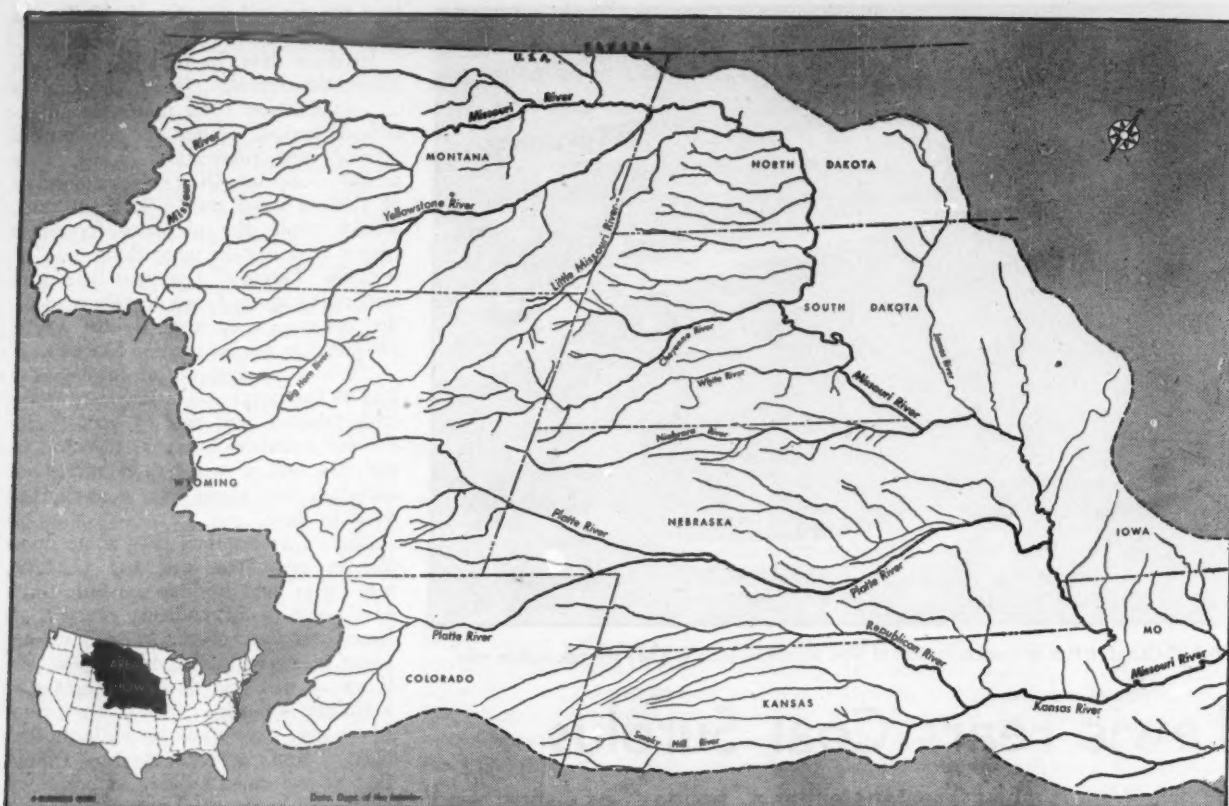
Lewis hasn't said anything in that direction. But his office makes no effort to discount the rumors. It merely calls attention to the 45-day stocks of coal, and to Lewis' statement at the convention. (Historically, high coal stocks have often been followed by a strike.)

• **Prices**—Such a holiday would tend to firm a price structure that has been a bit wobbly in recent weeks. A few southern operators have quoted "temporary" price cuts of as much as \$1 a ton—to permit them to move loaded cars away from the mine tipples so a measure of mining could be continued.

The big northern operators, however, are dead set against allowing any price break. One reason, though it may sound like a paradox, is that their dealers all have big stocks, too—at regular prices. Let a mine owner offer the same coal to a rival yard at a lower price, and his original yard customer would never buy another ton from him.

• **Operators' Reaction**—Economically, then, a U.M.W. "holiday" wouldn't hurt the operators too much. One operator put it this way: "If Lewis winks his eye, 50-million tons of coal will vanish in a few weeks."

But in practice, the mine owners will fight to the last breath against letting Lewis run their business for them. Just what they will be able to do, if he carries out his threat, remains to be seen.



The Missouri Valley: Vast Development Coming

TVA-type program is in the discard, but broad program of water, power projects is taking shape. It means a big new market.

The backers of a Missouri Valley Authority for the broad Missouri River basin (map) gathered at Omaha last week. Their objective: to get the 81st Congress to set up a TVA-type administration for developing the water resources of the Missouri and its tributaries.

By the time the meeting adjourned, it was understood that Sen. James E. Murray (D., Mont.) would introduce an MVA bill. Murray sponsored two earlier, unsuccessful MVA proposals.

• **It Won't Pass**—This bill will be only a gesture; the backers of MVA don't really expect it to pass. Too much has already been invested in the Missouri valley by government agencies—particularly, the Army Engineers and the Interior Dept.'s Bureau of Reclamation. Besides, there is not much local support for MVA. But its backers hope that a discussion of Murray's bill will, at least, lead to a new survey of the water-control pattern now being formed in the basin by Reclamation and the Engineers.

This pattern is a compromise between the Engineers, interested in flood control and navigation, and the irrigation-minded Reclamation Bureau. The pro-

gram's name is the "Pick-Sloan Plan" (BW—Nov. 18 '44, p20)—after an Army engineer and a Reclamation Bureau engineer who have done much of the planning.

• **Business Outlook**—No matter who runs the development of natural resources in the Missouri valley, the area promises to become a vastly richer source of farm and industrial products, and consequently a richer market—if development is pushed.

How fast this work takes place depends to a large extent on how much money Congress and the Administration will lay out for it. At any rate, large-scale plans to do a tremendous development job in the next six years have been put on paper.

• **Fight**—Until 1944, the Engineers and the Reclamation Bureau had fought for years over how to handle the waters of the Missouri basin. The Missouri is a highly seasonal stream. On its lower stretches the water sometimes rises to flood proportions. But the country around the headwaters, in the western part of the basin, is comparatively dry.

The Engineers concentrated on flood control. They wanted to build big dams

and keep them empty, for reserve in case of floods. The Reclamation Bureau, on the other hand, wanted to build a lot of smaller dams and hold water in them, for distribution to the dry areas. Reclamation was also interested in hydroelectric power; the Engineers opposed government power.

• **Compromise**—In 1944, after talk of MVA became serious, the two agencies arrived at the compromise. The Engineers were assigned the main streams, where flood control and navigation were the big problems. Reclamation got the tributaries, where irrigation was important. Both agencies are now compromising on their dams—by spending more money. They're building bigger ones than they intended, to do two things: (1) to provide storage for irrigation, power, and navigation, and (2) at the same time, to leave space in the reservoirs for flood water.

Supporters of MVA feel that maintenance of navigable depths on the lower river would make it necessary to cut down on the water being held upstream for irrigation. They want a single authority to manage Missouri valley water. They also feel that the Pick-Sloan Plan doesn't put enough emphasis on public power.

• **The Plan**—Including appropriations for the present fiscal year, the federal

government already has committed over \$1.2-billion to the Pick-Sloan Plan. The plan as it stands today calls for construction of: (1) 105 reservoirs; (2) 150 irrigation projects—to water about 4½-million acres of new farm lands and supply some water to another 547,000 acres; (3) 20 hydroelectric plants with a total capacity of 1.6-million kw.; (4) about 1,500 mi. of levees and other flood-control works. None of these projects has as yet been completed, but some are now being built (BW—Jun. 1 '46, p21).

In addition to all this, the Missouri is being made navigable for barge traffic from its mouth at St. Louis to a point—as yet undetermined—above Sioux City, Iowa. Part of this job is already finished: Commercial barges have been operating between St. Louis and Omaha since early 1947.

• **Need for Speed**—There is no time limit on the Pick-Sloan Plan. But local sentiment and the threat of a possible MVA are keeping the Engineers and Reclamation Bureau united in efforts to push it along as fast as possible. A proposed six-year program, which would get more than half the job done, was adopted last July by the Missouri Basin Inter-Agency Committee.

This coordinating committee is composed of the governors of five of the ten basin states, and representatives of the Engineers, Reclamation, Agriculture Dept., Commerce Dept., and Federal Power Commission. The five governors on the committee are selected by all the Missouri basin state governors.

• **Cost**—The six-year program runs from July 1, 1949 to June 30, 1955. It would require total expenditures of almost \$4-billion by federal agencies and the states. The U.S. would provide most of the money—if the President and Congress were willing. The Reclamation Bureau would be the biggest spender, with over \$1.3-billion. The Engineers would spend about \$680-million. Other federal agencies would spend smaller amounts. After June 30, 1955, about \$1.3-billion would still be needed to finish the job, according to present estimates.

Under the Pick-Sloan formula the Engineers and the Reclamation Bureau will operate and maintain the major projects. The Engineers will turn over local flood-protection works to community groups. Reclamation will set up local irrigation districts to handle final distribution of water. The Interior Dept., under authority given by the 1944 Flood Control Act, will market all hydro power. (It may set up a new agency, like Bonneville Power Administration, to handle the job.)

So far, however, development of the basin has been mainly an Engineer-Reclamation proposition. The others—Agriculture, Commerce, FPC, the states—haven't had the money to spend. If and

when they do, the Pick-Sloan Plan will be broadened to include certain other features which MVA backers think are highly important. Among them: (1) soil conservation; (2) developing recreational areas; (3) developing phosphate deposits to make fertilizer.

• **Enough Water?**—One factor could swing sentiment to MVA, at least as far as the western part of the basin is concerned. MVA proponents financed an engineering study by Jerome G. Locke; it indicates that water needed by the western, headwaters area will be drawn off by the navigation projects of the En-

gineers on the lower Missouri. Locke says that only about 1-million to 2-million acres could be irrigated in the western area if the navigation proponents have their way; on the other hand, 5-million to 6-million acres could be irrigated if water in the western part of the basin were reserved for western use.

MVA supporters are confident that, if Congress orders an overall engineering survey of the basin, it will vindicate the Locke report. But the Army Engineers disagree: They think enough water comes down the Missouri to satisfy everybody.

The Oil Pinch Is Over

Petroleum economists say industry can meet all demands in 1949. Texas commission orders 10% cut in allowable crude output as product inventories climb. Two companies rescind price boosts.

After two years of battling oil shortages—real and potential—the nation can look forward to easier going this winter and through 1949.

• **Three Events**—How easy is anybody's guess. But three recent developments give a pretty good idea of the thinking in the industry:

AN ORDER capping by 10% the maximum amount of crude that can be taken from wells in Texas, issued by the Texas Railroad Commission last week. The order is effective Jan. 1; it will reduce the nation's crude supply by about 252,000 bbl. a day—better than 4%.

A DECISION this week by Phillips Petroleum Co. and two Sinclair Oil Corp. subsidiaries to cut their buying price for crude back to the prevailing level. They had been paying 35¢ a bbl. more than their competitors (BW—Oct. 30 '48, p24; Dec. 4 '48, p21).

A PREDICTION by the Economics Advisory Committee of the Interstate Oil Compact Commission that the oil industry "is in a position to meet total demands in 1949." The committee is made up of 17 top oil economists.

• **Drastic**—The Texas commission's order came as a shock to the industry. No such drastic move had been expected—at least, not yet. The commission's authority over oil production is predicated on conservation. But the basic economic implications of its order are obvious: Crude producers want higher prices. And refined-products prices have been showing a tendency to soften because of high inventories.

It's not hard to find the reason for the Phillips-Sinclair reversal: Competitors were able to get adequate supplies of crude without advancing their buying

price; the two companies simply could not afford to continue to absorb the increase.

• **Forecast**—The present favorable supply-demand situation is the result of high output all through 1948, plus a mild winter so far which has reduced fuel-oil consumption. But what about 1949?

On this subject, oil men can turn to the forecast of the I.O.C.C. committee. Total oil demand in 1949, the committee estimates, will run nearly 6% over that for 1948—6,517,000 bbl. a day compared with 6,167,000. On its face, that looks like a sizeable order to meet. But the committee notes two mitigating factors:

(1) Depleted, unbalanced inventories had to be increased this year. That absorbed some 230,000 bbl. a day of refined products, over and above the amount needed to meet demand. Inventories now are at satisfactory levels; hence that 230,000 bbl. a day can be used to meet a large share of the 1949 increase in demand.

(2) The industry already is geared to do the job required in 1949; during the last quarter of 1948 it has been supplying more oil than it will be called upon to supply throughout 1949.

• **Demand Situation**—The rapid growth in oil demand that taxed the industry's facilities in 1947 and the first half of 1948 is slackening somewhat, the oil economists say. Three months ago this same group predicted a 7% rise in demand for the winter of 1948-49 over that of a year ago (BW—Sep. 4 '48, p21); now they look for only a 4% rise, assuming weather is normal and general business conditions continue good.

Along with this, the industry is beginning to benefit from its vigorous expansion efforts; supply is increasing faster than demand.

Potters' Problems

Dinnerware makers hit a buyers' market. Their main worries are rising costs and a revival of imports.

For several years, American makers of dishes roared along at breakneck speed. The war had paved the way: It had almost cut off imports; it had stuffed the housewife's pocketbook.

Then last September the industry hit a bump.

When they picked up the pieces, the dinnerware makers found themselves in a territory they had almost forgotten—a buyers' market. Now they had to get out and push for sales.

• **What To Do?**—Last week, the United States Potters Assn. met in New York's Hotel Astor to figure out ways to put some oomph behind the push.

The close-mouthed potters weren't saying much publicly about what they intend to do. They did announce one definite plan: to step up a program of public showings of the latest styles and patterns in dinnerware. The first was held last April in Chicago, at Marshall Field's department store. The next will run from Jan. 10 to 15 in Kaufmann's, Pittsburgh (during the trade's annual glass and china show for retail-store buyers). Other public exhibits will be held later in various cities. These aren't department-store promotions; the association pays all the expenses—using department stores for convenience.

But the dinnerware industry's problems go deeper than just getting the public to look at its products. The main problems are costs, substitutes, and imports.

• **Costs**—The direct labor cost in pottery is high—above 50% of the total. So, with labor rates soaring, costs have soared, too, despite high volume. Now, in a buyers' market, that threatens a real pinch.

An obvious answer is mechanization. In the last few years the industry has made some big strides (BW—Sep. 13'47, p20). But tradition—and the nature of the ancient craft—keep mechanization from going all the way. A powerful union puts a brake on full utilization of many machine processes. Also, it's hard to develop machines that can take into account the small but important variations in the raw materials they process—or that can do satisfactory decorating.

• **Substitutes**—Even though tradition stands in the way of cost-cutting, it's a boon to the potters in another way: It's their best weapon in the fight against substitutes.

In the years when the demand for pottery dinnerware outran the supply,

glass and plastics got a seat at the table. But potters are sure that the public's traditional preference for chinaware will soon leave little room for these other materials.

• **Imports**—A more serious worry of the potters is the threat of reviving imports. Low-priced ware from Japan and fine china from England—plus a big volume from Germany and several other countries—used to take close to a third of the American market.

Imports are on the upgrade again. According to Commerce Dept. figures, imports of decorated table chinaware from the United Kingdom, Japan, and Germany totaled \$4.6-million in the first 10 months of this year; in all of 1947, total imports of such china were only \$3-million. But even the 1948 rate of imports still isn't up to 10% of the domestic market.

Lessening the fear of such competition is the fact that prices of foreign dinnerware have jumped—further, proportionately, since prewar than those of domestic ware.

• **Optimism**—So the American potters are not too glum, despite the bumps they have hit. By prewar standards, they're riding smoothly.

Here's the way Floyd W. McKee, of Salem, Ohio, new president of the U. S. Potters Assn., puts it: "Foreign potters have been unable to keep pace with the new trends that Mrs. America likes in dinnerware."



Heads Conference Board

John S. Sinclair was elected president of the National Industrial Conference Board last week. He takes over his new post Jan. 1 from Dr. Virgil Jordan, president since 1932, who is stepping into the newly created office of chancellor. Sinclair was at one time president of the Federal Reserve Bank of Philadelphia, later executive vice-president of New York Life Insurance Co.

Mail-Rate Hike

Boosts start Jan. 1 in 13 categories. Airmail, special delivery, third- and fourth-class rates among those affected.

The bill for postage is going up Jan. 1. Mail rates in 13 categories will be jacked up. The Post Office expects the boosts to raise its revenues \$124-million a year.

• **New Stamps Coming**—The ordinary first-class letter will still go for 3¢, but higher rates are coming for airmail and special delivery. That means new 6¢ airmail and 15¢ special-delivery stamps—but not up until late January or February. The Post Office wants to use up its present 5¢ airmail and 13¢ special-delivery stamps.

Some of the new rates effective Jan. 1:

Airmail: 6¢ an oz.

Circulars and other miscellaneous printed matter and merchandise (third-class, 8 oz. or less): 2¢ for first 2 oz.; 1¢ for each additional oz. (Bulk rate for identical pieces: 14¢ per lb. minimum, 1¢ per piece.)

Catalogs and Books of 24 pages or more, and seeds, cuttings, bulbs, roots (third-class mail, 8 oz. or less): 14¢ for each two oz. (Bulk rate for identical pieces: 10¢ per lb. Minimum, 1¢ per piece.)

Large catalogs of 24 pages or more, weighing over 8 oz. but not more than 10 lb. (fourth-class mail): First pound—7½¢, local; 8¢, first and second zones; 9¢, 10¢, 12¢, 13¢, 14¢, 15¢, respectively, for third to eighth zones. Each additional pound—1¢, local; 1½¢, first and second zones; 2¢, 2.5¢, 3¢, 4¢, 5¢, 6¢, respectively, for third to eighth zones.

Parcel Post (fourth-class mail): first lb.: 10¢, local; 12¢, first and second zones; 13¢, 14¢, 15¢, 16¢, 17¢, 18¢, respectively, for third to eighth zones.

Each additional lb., up to 10 lb.—1¢, local; 2.1¢, first and second zones; 3¢, 4½¢, 6¢, 7½¢, 9½¢, 11½¢, respectively, for third to eighth zones.

Books (fourth-class mail, over 8 oz.): first lb., 8¢; each additional lb., 4¢.

Special Delivery on first-class mail—up to 2 lb., 15¢; 2 to 10 lb., 25¢; over 10 lb., 35¢. On second-, third-, fourth-class—up to 2 lb., 25¢; 2 to 10 lb., 35¢; over 10 lb., 45¢.

Rate rises are also due in money orders, postal notes, registry, insurance, C.O.D. fees.

The added revenue won't end the postal deficit—now running at \$550-million a year. So you can expect Congress to put through further rate increases—particularly in the money-losing second-, third-, and fourth-class mail categories.



Drive-In Postoffice Eases Yuletide Rush

No garage this, but a temporary branch post-office in Houston, Tex. This week it wound up its second season in business. Set up in the city-owned Sam Houston Coliseum, the drive-in branch cut down traffic jams

around regular postoffices, and considerably shortened yuletide queues. Acting postmaster Granville Elder, who thought the idea up last year, says that the annex handled 1,500 or more cars a day.

If You Want Defense Contracts—

You can now study new procurement regulations. Though incomplete, they will tell you what costs are allowable under contracts, what to expect if there's all-out mobilization.

Businessmen who are thinking of taking on a government contract under the new defense program have some homework to do first.

• **Overhaul**—In the past year, the military-procurement regulations have been going through a drastic overhaul. Most of that imposing shelf of orders, regulations, manuals, and loose-leaf instruction sheets you built up during the war is as out of date now as the code of Hammurabi.

Revision of the military establishment's buying methods began early this year when Congress passed the Armed Services Procurement Act (Public Law 413). This ended the sweeping contracting powers that the Army, Navy, and Air Force had exercised during the war. But the law didn't turn the clock back to the old system of buying everything by advertised bid. Instead, it provided for a flexible procurement system in which negotiated contracts would play a big part.

• **Gap Closed**—Since February, when the law passed, the three services have been wrestling with the job of writing a new uniform procurement regulation.

The work still is a long way from finished. But the first six sections of the new regulation are out now. (You can get them from the Superintendent of Documents, Washington.) In general, the sections which are available cover the most important points, from a contractor's viewpoint.

Last week, the services filled one of the biggest remaining gaps by issuing Section 15—a uniform statement of cost principles to be used in cost-plus contracts (BW—Dec. 18'48, p10).

• **Something To Go On**—With this much to go on, you can get a pretty fair idea of the sort of contract the services are ready to give you. And you can figure out roughly the costs that will be allowed—or disallowed—in setting the price you are to get.

You may want to study the new regulation even if you have no idea of taking on government business any time soon. The services are trying to set up procurement methods that could be expanded with little or no change to handle a military program of any size. Hence, if you want to know what would happen to you in an all-out

mobilization, you can find some of the answers in the procurement rules that are being issued now.

• **Tougher Terms**—In comparison with the wartime methods, you will find the new regulation simple and systematic. In many respects you also will find it tough. The services don't intend to pick up the tab for any expenses that aren't directly chargeable to the contract. They will screen cost estimates a good deal more carefully than they did during the war.

And don't forget that the profits from major contracts will be subject to renegotiation just as they were in wartime. The services still are working on the proposed renegotiation rules. At this stage of the game there is no way of telling just how easy or tight they will be. But in general they will follow the wartime system of reviewing each contractor's profits in the light of his performance record.

In theory anyhow, all three services will use the same procurement regulations and apply them in the same way. But you will have to wait a while to see just how this works out. Each branch of the Military Establishment will set up its own procedures for applying the general rules.

Contracts by Bid

Many of the biggest contracts will be handled by negotiation between the contractor and the procurement officer. So will most contracts for complicated products—aircraft, for instance—or experimental work.

• **Backbone**—But the advertised bid still is supposed to be the backbone of the procurement system. The services can negotiate contracts only in situations that qualify under one of the 18 exceptions that the law provides (page 26). And military men take these requirements seriously. President Truman gave them a special warning at the time the law passed not to get into the habit of using negotiation for everything. As a result, the services will do most of their routine procurement by advertising for bids.

Advertised-bid procedure is not changed much by the new regulation. If you have a product that you think one of the services could use, get in touch with the nearest procurement office and see that you are listed to receive invitations to bid. Also, watch your newspapers and trade journals for public notices.

• **Ground Rules**—The services will provide you with forms for filing your bid. They will also give you specifications on the product and tell you about other requirements of the contract. You probably will have to post a bond when you put in your bid. And you should be prepared to offer evidence

that you are a responsible and competent operator.

Contracts usually are awarded to the low bidder. But procurement officers have authority to reject the low bid for various reasons—if they think the price is too high, or if the bidder is not responsible, for example.

Contract by Negotiation

In situations that qualify under one of the 18 exceptions to the rule requiring formal bidding, you can negotiate directly with the contracting officer. Here you have a good deal more leeway—not only in discussing price, but also in the form of the contract. If you get an award through formal bidding you have to take either a lump-sum or fixed-price contract. But in negotiation several other types are available—if the procurement officer is willing. The main ones include:

Fixed price with a provision for redetermination of price. The contractor signs up for the minimum price. But the government agrees to readjust the price if necessary.

Incentive-type. The contractor and the government agree on a "target price," based on an estimate of costs. If the contractor succeeds in cutting costs, he and the government share the saving.

Cost and cost-plus-fixed-fee. The government reimburses the contractor for all allowable expenses as defined in the contract.

Where costs can be estimated accurately, the military will demand plain fixed-price contracts. The other types are for situations in which you can't tell your costs until you get going.

In any case, you should be prepared to talk over your costs in detail with the procurement officer. Even on fixed-price contracts you have to submit breakdowns of estimated costs to show that your price is fair.

• **Allowable Costs**—The rules on allowable costs in fixed-price contracts haven't been written yet. They will be somewhat more flexible than the rules for cost-plus business. But you won't go far wrong if you assume that the statement of cost principles that was issued last week will set the pattern for both.

As the general rule, the services say they will reimburse a contractor for all the direct costs he incurs in performing the contract—plus a fair share of his indirect costs. Most of the argument will come when you try to determine what indirect costs are chargeable to the contract and how they should be prorated.

• **Specific Items**—Allowable costs include such things as: materials and supplies; subcontracts; freight; salaries and wages; jigs and special tools; vacation or severance pay to the extent required

by the contractor's established policy; plant maintenance; depreciation; research and development specifically applicable to the contract.

Advertising in trade and technical journals is all right. Other advertising is not reimbursable, except where it is directly related to the performance of the contract—for example, "help wanted" notices.

State corporate taxes and other levies are allowable costs. But there will be a problem in working this out if the state tax is an income tax.

• **Unallowable Costs**—Unallowable costs include: maintenance or depreciation costs on excess facilities; losses on other contracts; contingency reserves; interest of any kind; bad debts; losses on capital assets; federal taxes; dividend payments; general research.

A long list of items is to be settled by special negotiation in each case. These include: donations and contributions; compensation for the use of equipment that already is fully depreciated; salaries and wages of sole proprietors; special expenses of all sorts.

• **Small Businesses**—If your business employs less than 500 workers, be sure to get that fact into the record in your negotiations with the contracting officer. The law instructs the services to give "a fair proportion" of their orders

to small business. And the uniform procurement regulation requires each department to make an annual report to the Munitions Board on the value of contracts placed with firms employing less than 500 workers.

And whether you are small business or large, look over your accounting system before you go after any government business. If you can keep track of your costs exactly and divide them logically among your products, you probably can do very nicely under the new procurement rules. But if you don't have a good cost-accounting system you may wind up out of pocket, simply because you can't prove where the money went.

HARD EARTH RUNWAY

When contractors last year put the "big squeeze" on Friendship International Airport's runways (BW-Dec.27 '47,p21) they did a better job than expected. Last week, trenching machines used to dig ditches for cable broke down when they hit the compacted earth.

The engineers found out that the 400,000 lb. compacting machine had compressed the earth under runways to a density of 130 lb. per cu. ft.—even denser than common building brick. They figure the earth squeeze was effective down to 5 ft.

When You May Negotiate Contracts

The law prescribes 18 situations in which the armed services can negotiate contracts without advertising formally for bids. In wartime these exceptions would cover the whole military program. But at present you want to look carefully to see if your contract would come under one of them. Here are the grounds for dispensing with the formal bid procedure:

(1) **National emergency** declared by the President or Congress.

(2) **Public exigency**—where the delay of advertising would cause financial loss to the government. This covers such things as disasters and rush repairs to ships and aircraft.

(3) **Purchases not over \$1,000 altogether.**

(4) **Personal or professional services.**

(5) **Services of educational institutions.**

(6) **Purchases outside the U.S.**

(7) **Medicines or medical supplies and equipment.**

(8) **Supplies purchased for authorized resale.** Ordinarily this authority will be used only for brand-name goods to be sold in Army post exchanges and similar operations.

(9) **Perishable subsistence supplies.**

(10) **Absence of competition** if formal advertising methods are used.

This applies in cases in which only one person or company can supply the goods or services, where charges are fixed by law or custom, and in similar cases.

(11) **Experimental, developmental, or research work.**

(12) **Purchases involving secret information.**

(13) **Technical equipment** requiring standardization and interchangeability of parts.

(14) **Technical or specialized supplies** requiring substantial initial investment or extended period of preparation for manufacture. This is the big one. Under it the services can negotiate contracts for such weapons as tanks, radar, aircraft, ordnance—since all such items require special tooling and heavy investment.

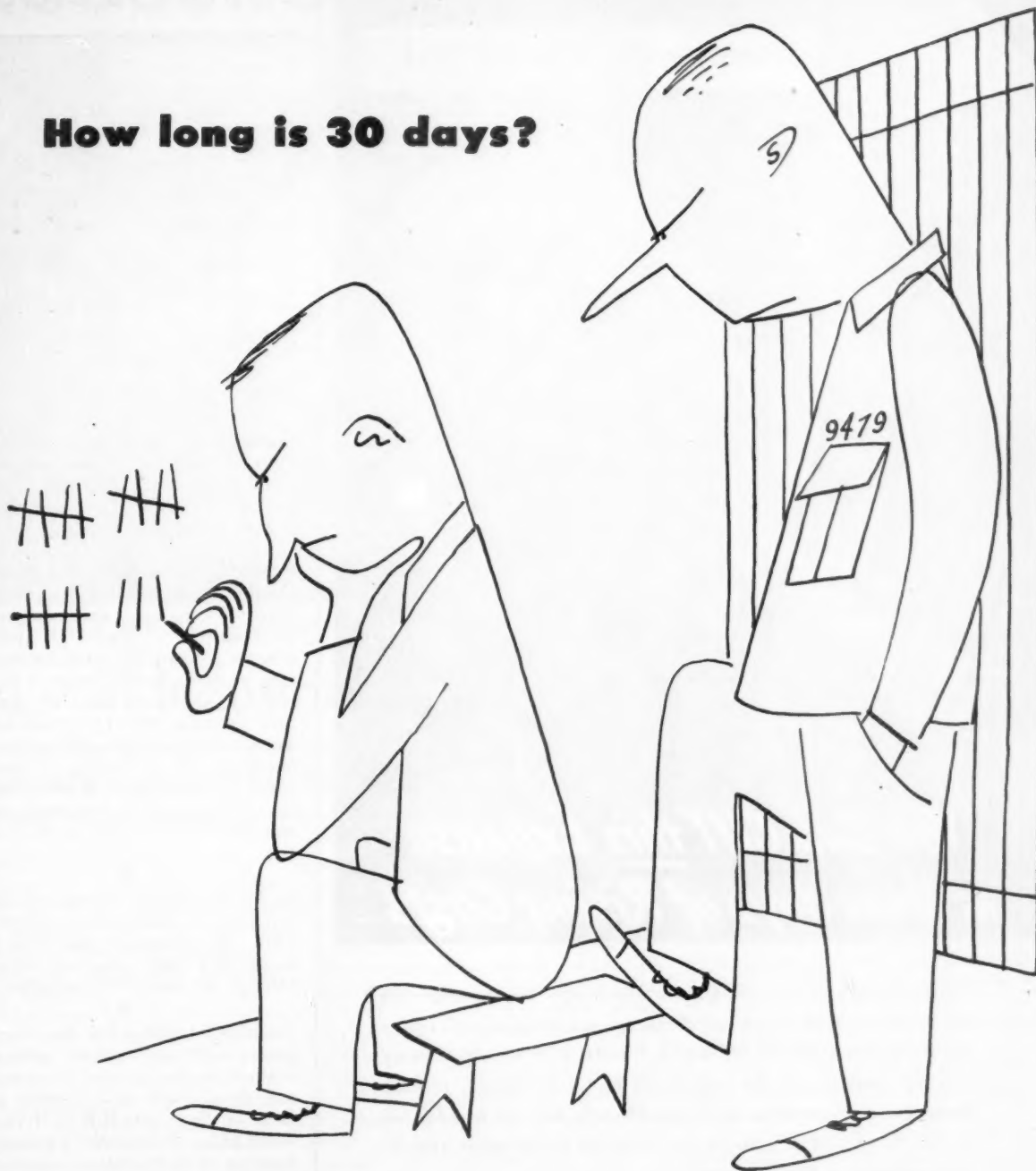
(15) **If advertising fails** to produce reasonable bids.

(16) **To keep a facility in operation** in the interests of national defense or industrial mobilization. This also covers educational orders to train suppliers for a crisis.

(17) **Special exceptions** authorized by other laws.

(18) **Construction work** performed outside the U.S. or qualifying under one of the other exceptions.

How long is 30 days?



A few brisk strokes and yonder errant citizen will know where he stands.

But it's somewhat more complicated when a business wants to size up its situation. That calls for lots and lots of involved figure work. Or, at least, it *used* to. Nowadays, our Comptometer Peg-Board Plan brings an amazing swiftness and simplicity to almost any accounting task.

Here's how: this cost-cutting plan

makes *original* postings yield *final* results. *One* writing and *only one*—entries need *never* be recopied!

Gone forever is the costly hide-go-seek of post, copy, file, post, copy, etc. Gone is intricate bookkeeping. And our Peg-Board Plan (teamed with the great speed of the Comptometer machine) is completely flexible. Accurately, quickly, it gives combined statements on such distributions as:

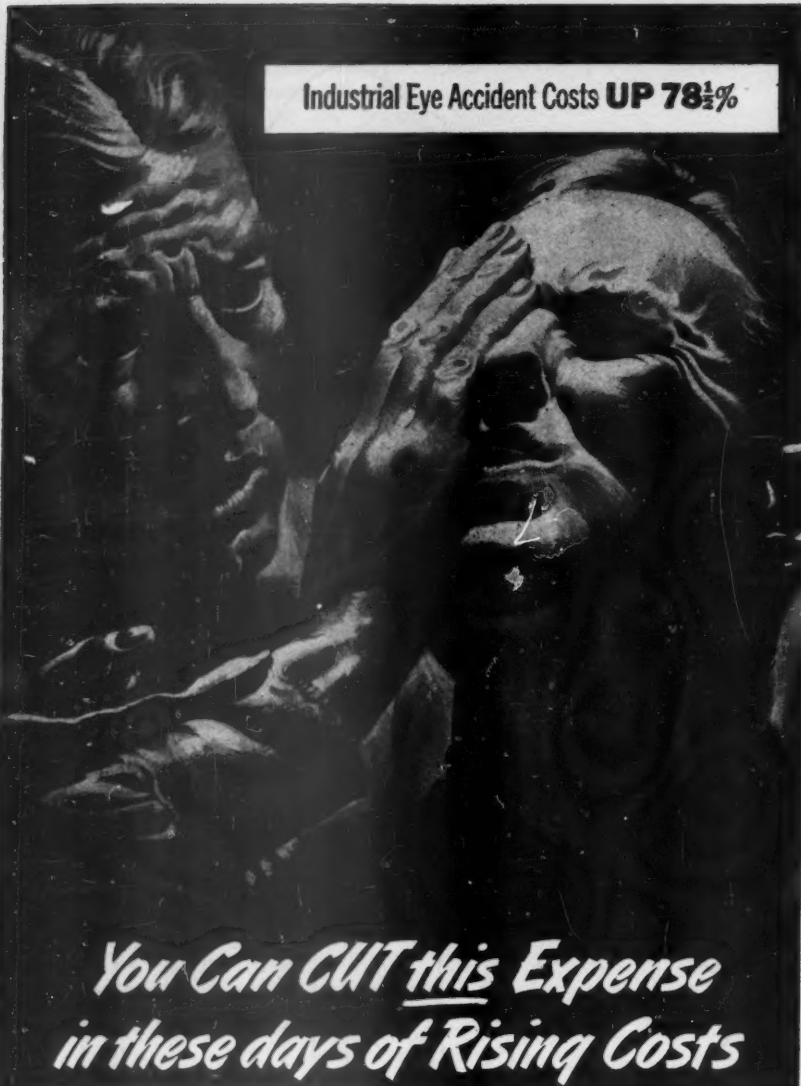
sales, inventory, cost, payroll, incoming orders, expense.

Send for a copy of "Peg-Board Accounting," or call your nearest Comptometer representative for details.

COMPTOMETER
REG. U. S. PAT. OFF.

ADDING-CALCULATING MACHINES

Made only by Felt & Tarrant Manufacturing Co., Chicago, and sold exclusively by its Comptometer Division, 1733 N. Paulina St., Chicago 22, Ill.



Industrial Eye Accident Costs **UP 78½%**

*You Can CUT this Expense
in these days of Rising Costs*

Unlike today's other rising costs which may be compensated for by larger volume, eye accidents are out-and-out embezzlers of your profits. **THEY CUT BACK PRODUCTION**—by putting "green" workers on the job, lowering shop morale, placing expensive equipment in less trained hands. All this, in addition to the direct cost of a major eye accident which some authorities estimate at \$350 or more.

Good business judgment dictates that these costs be cut immediately. Your AO Safety Representative can show you how 98% of all eye accidents can be prevented by an eye protection program that will pay for itself in six months or less.



American  Optical

Safety Division

SOUTHBRIDGE, MASSACHUSETTS • BRANCHES IN PRINCIPAL CITIES

BUSINESS BRIEFS

National income will be bigger this year than last, says Commerce Dept.—about \$224-billion as compared with 1947's \$202.5-billion. So will gross national product—about \$253-billion as compared with \$231.6-billion.

Du Pont's proposed stock split (four for one) would give its common a more liquid market than it has had at 180-plus. It would also give du Pont more outstanding shares than even G. M. Now Wall Street wonders if du Pont won't dispose of its controlling holdings of G. M. stock by divvying them up among its stockholders as well.

Continental Can's new \$1.2-million Portland (Ore.) plant won't open for a year. President H. A. Eggers says he can't get the needed \$2.5-million worth of equipment until then.

Price cuts: Lever Bros. and Procter & Gamble have lowered the wholesale prices of some soaps and soap products by about 6% . . . Two U. S. Steel subsidiaries reduced the extras on stainless-steel products by an average of 5% . . . Bakelite, Monsanto, and Durez have cut their phenolic resins by ¼¢ and ¾¢ a lb. Manufacturers have lopped as much as one-third off the prices of synthetic pearls . . . and Sears, Roebuck has cut the retail prices of its automatic washing machines \$20 and \$30 in the Chicago area.

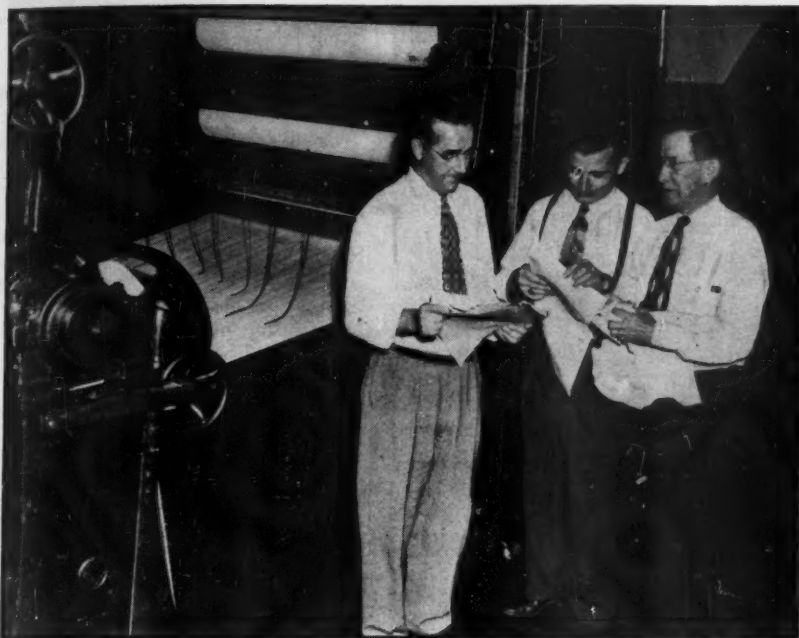
G. M. has speeded communications by installing a private-wire teletype network. All messages to and from plants in 46 U. S. and Canadian cities clear through the central Detroit office.

Twentieth Century-Fox has ended the government's antitrust suit with a consent decree. Its National Theatres Corp. will divest itself of 260 partly owned theaters. But unlike R.K.O. (BW—Nov. 13'48,p80), Twentieth Century will hang on to its exhibition subsidiary and the 450 remaining theaters.

ACF-Brill has boosted prices of its buses by about 9%. And it expects to deliver only 11,000 or so trolleys and buses this year. Last year deliveries hit 18,523.

The construction industry must face up to "short-term weaknesses." That's what H. R. Berlin thinks; he's general manager of the Johns-Manville Building Products Division. He reasons that the boom in commercial and industrial modernization and expansion has "now flattened out." But the long-range picture is still sound.

PRODUCTION



FIRST ALL-STRAW NEWSPRINT, result of Kinsley Chemical research, is one sign of . . .

Straw in Industrial Wind

Research shows it may make good substitute for wood pulp in paper and building board manufacture. Straw's big advantage is the almost limitless supply. Drawback: How do you collect it?

Research winds may be blowing ordinary straw into a new realm of industrial use. Out of the laboratories in the last few years have come techniques to carry straw to market in the form of newsprint, fine papers, and insulating building board.

• **New Members?**—Last week there were signs that some of the new processes may soon be settling down as permanent members of the commercial family. Kinsley Chemical Co., Cleveland, developer of a process to make an all-straw newsprint, said that licensed production with its technique is getting underway in South Africa. Two U. S. firms are supposed to be angling for domestic rights.

Straw is nothing new to the paper industry. For over a century, paper-makers in Europe, South Africa, South America, and the Orient have been making fine specialty papers from straw. Before wood pulp caught a firm hold in the late 1800's, straw was widely used in the U. S. for wrapping papers, bagging, and for some newsprint. During World War II, England turned to straw for the manufacture of many kinds of paper. In Holland, fine papers are being produced commercially under a

process similar to one developed here by the Dept. of Agriculture.

• **Small U. S. Use**—But in the U. S. today, straw plays only a small part in papermaking (98% of the pulp for paper comes from wood). Dept. of Agriculture experts think that about 72% of the recoverable wheat straw goes to waste. In 1947, that came to close to 38-million tons.

Most of the small amount of straw that did go into industrial use wound up as corrugating paper for packing fillers, pads, and special cartons. But that took only about 800,000 tons.

• **Cashing In**—Why haven't we cashed in on our straw resources—probably the biggest in the world? The main reason is that, there hasn't been any real need to do so. As long as there was a healthy supply of pulpwood, manufacturers had little urge to experiment with unproved materials. Besides, straw has some drawbacks. It costs a lot to handle; collection, baling, and storing present problems. And, when compared to wood, its residue generally has a lower cellulose content.

World War II brought some changes in thinking. Pulpwood supplies thinned—and prices fattened. Imports from

abroad fell far below the level that had been expected. Against this was the fact that straw presented an almost inexhaustible supply. So researchers polished their test tubes for new experiments.

• **Kinsley Research**—One of the most active in this spadework has been Kinsley Chemical Co. Last fall it struck paydirt in its experiments when it turned out the first full-scale run of an all-straw newsprint at the Holyoke, Mass., plant of Chemical Paper Mfg. Co.

The newsprint was run off on standard equipment, without special devices. Yet even to experts the straw product looked to be equal to wood-pulp newsprint in many ways, superior to it in others, inferior only in qualities that could presumably be ironed out.

It was slightly more bulky than wood-pulp newsprint, somewhat tougher. It fell down mainly in color. That may have been because the straw pulp got only a one-stage bleaching—instead of the two-stage decoloring used in the regular Kinsley process. In actual manufacture, the straw pulp went through the paper machine at a speed of 600 ft. a minute, which compares favorably with manufacturing speed of wood-pulp paper.

• **The Process**—In the process, straw is first cooked in rotary boilers with chemicals. Then it is debarked and run over a riffler (a trough that slows the flow of the pulp, lets heavy, irregular particles drop out), a tailing screen, and a washer. The stock is then a pulp free of cooking liquors, ready for a two-stage bleach with chlorine. After a final wash and a treatment to cut long fibers to proper length, the pulp is ready for the paper machine.

When production gets going, Kinsley thinks straw pulp newsprint made with its process will be able to sell for about \$65 to \$72 a ton.

• **Dept. of Agriculture**—Another ground-breaker in the new processes for straw has been the Northern Regional Research Laboratory of the Dept. of Agriculture at Peoria, Ill. Early in the war, it set out to compare the properties of straws with other paper-making material. It wanted to find out in just what way straw could be used economically in industry.

After the laboratory had tabled the values, it went on to consider various pulping methods and bleaches. Out of this came a neutral sulphite process that showed definite advantages in the manufacture of fine specialty papers from straw.

The pulping and pulp-mill equipment to produce this neutral sulphite wheat straw is practically the same as that used for alkaline pulping of wood. One mill in the Netherlands has been turning out 100 tons of straw pulp a week—

Webster Heat for "Conveyors By Buschman"

In 1947, E. W. Buschman Company, Cincinnati, Ohio, manufacturers of conveying machinery, completely modernized the heating equipment in their plant and offices.

In the plant section, pipe coils were replaced by 19 Webster-Nesbitt Unit Heaters equipped with Series "45" Unit Heater Controls. Each Unit Heater is equipped with a Webster Float and Thermostatic Trap and Dirt Strainer.

Heating for the office section and engineering department is by a Webster Moderator System of Steam Heating. With this "controlled-by-the-weather" system, heating is maintained automatically to meet outdoor weather conditions.

Otto Svoboda, company architect and engineer, reports complete satisfaction with Webster Equipment. Both plant and office sections are heated evenly and quickly, assuring comfort at all times for employees.



Webster Series "45" Unit Heater Control used in the E. W. Buschman Company plant combines in a single unit a room thermostat with lock setting, manual motor starter with thermal overload protection, summer-winter switch, pilot light, thermometer and terminal block.

If you have a problem in heating your plant, get in touch with the local Webster Representative. He will help determine the type System best suited to your requirements.

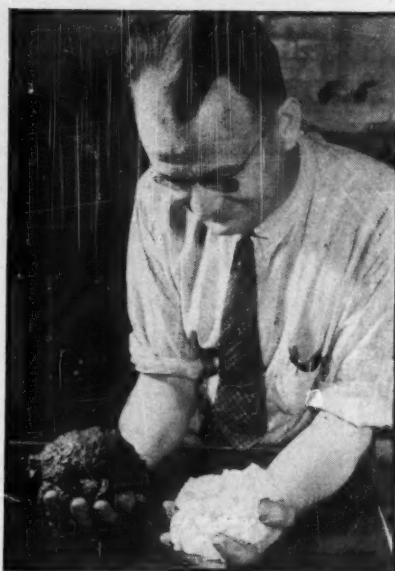
Address Dept. BW-12

WARREN WEBSTER & CO.
Camden, N. J. : Representatives in Principal Cities
in Canada, Darling Brothers, Limited, Montreal

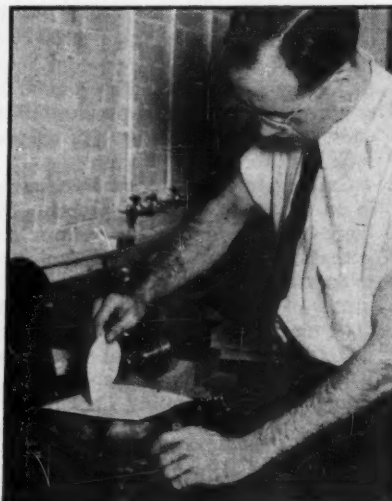
**WEBSTER
MODERATOR
SYSTEM
OF STEAM HEATING**
"Controlled by the weather"



COOKED STRAW is screened to make paper at Northern Regional Research



STRAW PULP looks like this in bleached (right) and unbleached state



FINISHED PAPER is peeled off in sample sheets from this laboratory "waffle iron"

without any major changeover of equipment. Yields are good—about 50% of screened, bleached pulp. That's 5% to 10% higher than other processes operating on straw, or most processes with wood.

• **Newsprint**—The laboratory has also had its hand in experiments with straw pulp in newsprint. Using its technique, the Ontario Paper Co. has produced blends of straw and wood-pulp newsprint for the Chicago Tribune. Experimental runs of the Tribune's farm edition have been printed on paper which is 17% straw fiber. The new Ontario process produces a blended straw newsprint faster, more economically, and in better quality than has been possible before.

On another tack, the laboratory has been digging into the use of straw as insulating board. It feels that straw can do just as good a job in the board as sugar-cane bagasse, the commonly used base. It has worked out a process for commercial manufacture on standard machinery.

• **Best Chance**—There have been many experiments with other fibers in paper-making—cotton stalks, flax, bamboo, hemp, and yucca. Most experts feel that wheat straw stands the best chance of commercial success.

Despite straw's advantages, though, some cynics in the paper industry aren't willing to get very enthusiastic about its possibilities. These individuals point out that:

(1) Collecting straw from farms won't be any cinch. Somebody will have to devise a collection system that's cheap—and still give the farmer enough profit so that he will be willing to cooperate.

(2) Wood-pulp newsprint (now selling for around \$100 a ton) is sure to come down in price in the future. That narrowing of the price difference would cut into straw's chances.

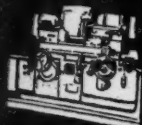
NEW SILICONE MAKER

Another major chemical company is going into the synthesis of silicones—the organic-inorganic hybrids of synthetic chemistry (BW—Mar.29'47,p47). Linde Air Products Co., a unit of Union Carbide & Carbon Corp., announced that it had four "silanes" in pilot production, and immediately available for industrial study (BW—Dec.4'48,p10). Linde is the third maker in the field. The others are Dow-Corning Corp., Midland, Mich.; General Electric Co.'s, Chemicals Dept., Schenectady, N. Y.

Linde's silanes are basic compounds, ready for industrial use as "building blocks" to produce intermediate chemicals, polymers, and copolymers. Officially, they are called ethyl- and amyl-trichlorosilane, and ethyl- and amyl-triethoxysilane.



GRINDING WHEELS



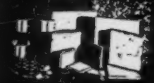
GRINDING MACHINES



REFRACTORIES



ABRASIVES



... the tree became a newspaper through GRINDING!

WAY back in the woods Norton starts to have a part in producing your newspaper—axes and saws sharpened by Norton grinding wheels fell the trees and cut them to pulp wood lengths.

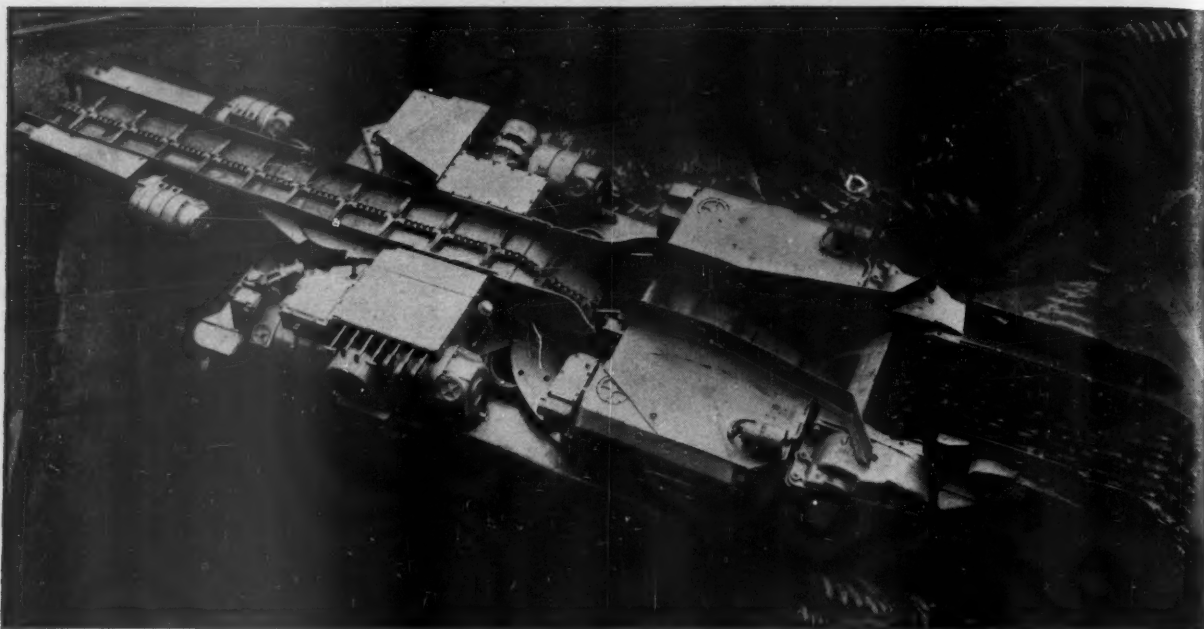
Then at the paper mill the wood is ground into pulp for newsprint by Norton Pulpstones—gigantic ten-ton, segmental grinding wheels as large as six feet in diameter and as wide as 66"—wheels developed by Norton research to replace nature's sandstones.



The machines that convert the pulp into paper and the complicated presses which print your newspaper contain many rolls and other parts precision-produced by Norton grinding machines and grinding wheels.

Norton Refractories are important, too—Alundum Laboratory Ware is used in the paper mill laboratories, Crystolon Brick in the power plants.





MECHANICAL MINER: Joy Mfg. Co.'s Continuous Miner, at top efficiency, can claw out two tons of coal a minute

Compact Machine To Cut and Load Coal

Mechanization has taken a further step forward in the coal mines. Last week, Joy Mfg. Co., of Pittsburgh, unveiled its Continuous Miner, announced it was in commercial production.

Joy's machine is a big step forward in mechanical mining: It's a loader that digs its own coal; it replaces the cutting,

drilling, and blasting previously required.

Joy isn't the first out with such a machine: Sunnyhill Coal Co. exhibited a pilot model last November (BW—Nov. 6'48,p26), but isn't in production; practically every mining-machinery maker is working on one. Bituminous Coal Re-

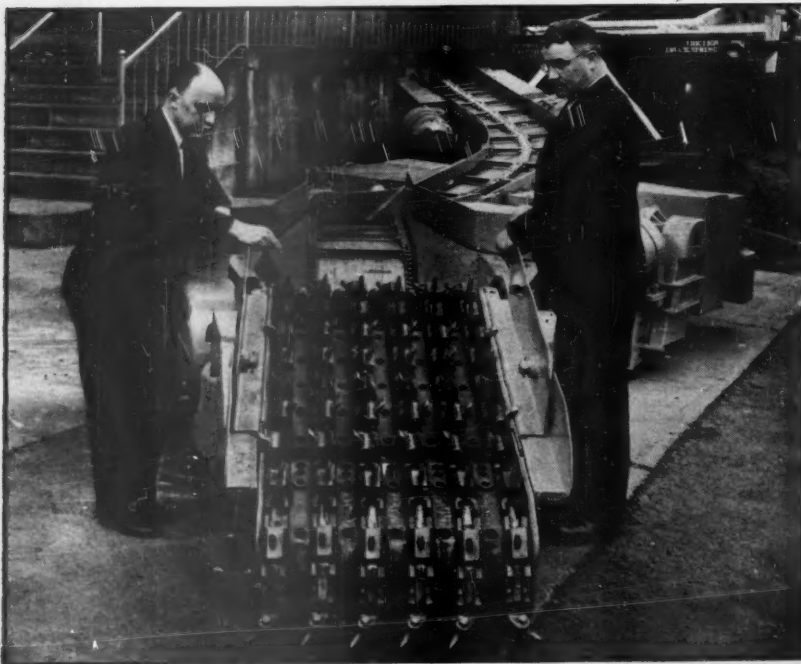
search, Inc., has a \$250,000 fund allocated for developing a mining-loading machine (BW—Apr.10'48,p57). Basic goals of the mechanization: to cut costs, boost safety, cut down manual labor by using "machine operators" instead of "laborers."

• **Three Parts**—The Joy machine consists essentially of: (1) a ripping head fitted with carbide bits that tear the coal from the face; (2) an intermediate conveyor that carries coal chunks to a central hopper; and (3) a rear conveyor that moves the coal still further back to the transportation devices that take it to the surface. These units are all mounted on a single frame which rides on continuous tractor-pipe treads. Over-all, the machine is a little over 25 ft. in length, about 7½ ft. wide, and come in two heights: 34 in. or 48 in. One man can handle it.

Joy executives are cautious about claims. Under optimum conditions, they say, the machine will handle two tons a minute. Manual labor is reduced to a minimum: The operator handles only control levers. Safety is upped because: (1) Blasting is eliminated; (2) the operator is 14 ft. away from the face; (3) the machine is fitted for temporary roof support.

• **Coal, Plus**—The machine isn't limited to coal; other mining industries will probably be able to adapt it to their operations.

For a step-by-step picture story of how the mechanical miner works, turn to page 36.



ENGINEER AND INVENTOR: John R. Sibley and Harold F. Silver study business end of continuous miner. Ripper bar is fitted with traveling carbide bits

WATCH OUT FOR WINTER AILMENTS



COLDS should be treated *promptly*! They often occur when body resistance is low, due perhaps to insufficient sleep, lack of fresh air, improper nutrition, or exposure to changes in weather. The cold may lower resistance still further and, if neglected, may lead to influenza, pneumonia or other infections.

INFLUENZA, while more serious than a cold, is not usually dangerous in itself. It may, however, weaken the system and pave the way for other illnesses. Fortunately, there is a new vaccine which has been used with considerable success against certain types of influenza. The doctor may recommend this vaccine if an epidemic threatens, if a person suffers from frequent colds, or if poor physical condition makes influenza a special danger.

PNEUMONIA is still a serious disease that calls for prompt diagnosis and treatment. The sulfa drugs and penicillin are highly effective in most cases, but they must be given early for best results. Your doctor now has a vaccine which provides protection against many of the most common types of pneumonia. One type of this disease, *virus pneumonia*, does not respond to the vaccine, sulfa drugs or penicillin. Although seldom fatal, it should have immediate medical attention.

The best protection against winter ailments is keeping in good physical condition. If you catch a cold, try to get all the rest you can, eat lightly, drink plenty of liquids, and cover your coughs and sneezes so that you will not infect others.

**IF FEVER ACCOMPANIES A COLD,
CALL A DOCTOR IMMEDIATELY!**

COPYRIGHT 1948 — METROPOLITAN LIFE INSURANCE COMPANY

**Metropolitan
Life Insurance
Company**

(A MUTUAL COMPANY)



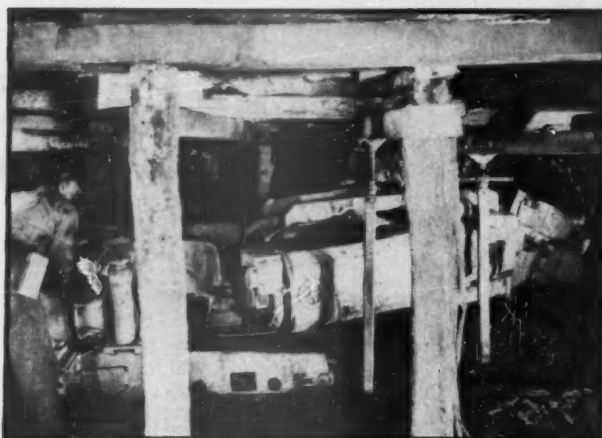
1 MADISON AVENUE, NEW YORK 10, N. Y.

TO EMPLOYERS:

Your employees will benefit from understanding these important facts about winter ailments. Metropolitan will gladly send you enlarged copies of this advertisement—suitable for use on your bulletin boards.

**TO VETERANS—IF YOU HAVE NATIONAL SERVICE
LIFE INSURANCE—KEEP IT!**

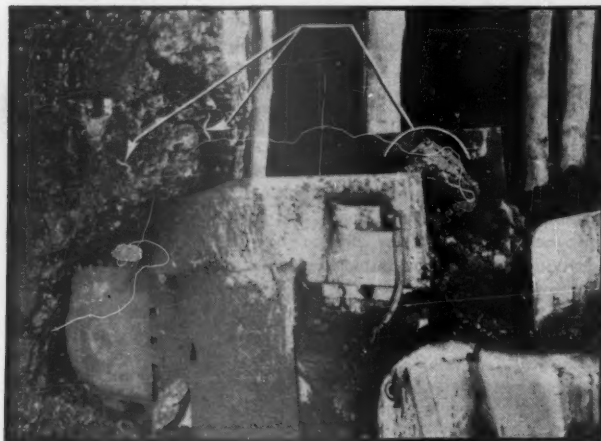
Joy's Mechanical Miner Goes to Work



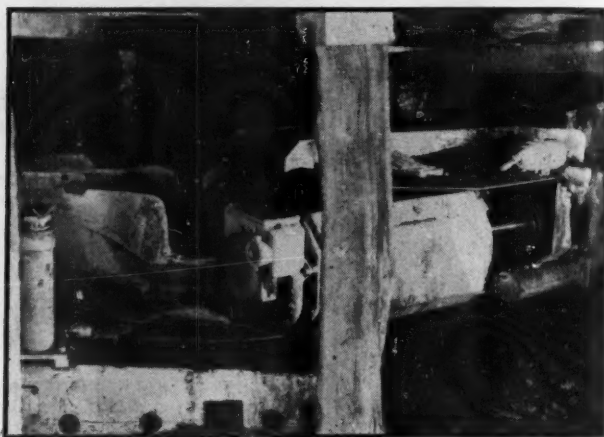
1 Continuous machine is driven through tunnel to coal face to start a new "room." Operator, well away from cutting head, controls machine operation with levers. Moving head can swivel through 45-degree arc



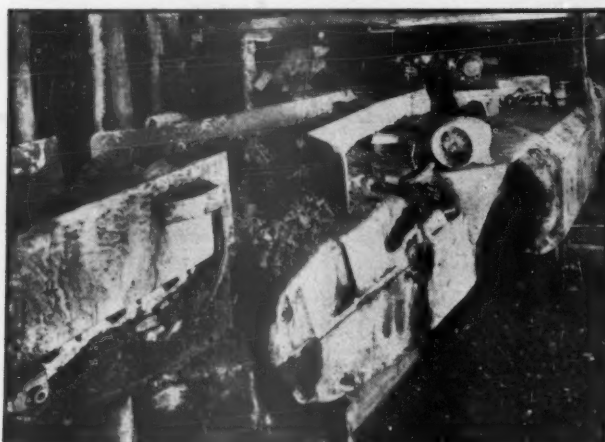
2 Ripper bar, with its moving carbide teeth, has been "sumped" about 18 in. into the base of the coal seam. The push for this comes from big hydraulic cylinders. Ripper is starting upward motion, and the wedge-shaped bits are starting to rip out the coal



3 Lump of coal has been ripped from seam by upward action of the ripper bar. (Bar has been stopped and lowered to show what has happened.) Coal is sliced off in large chunks. Lumps of coal drop down on moving teeth, are carried back



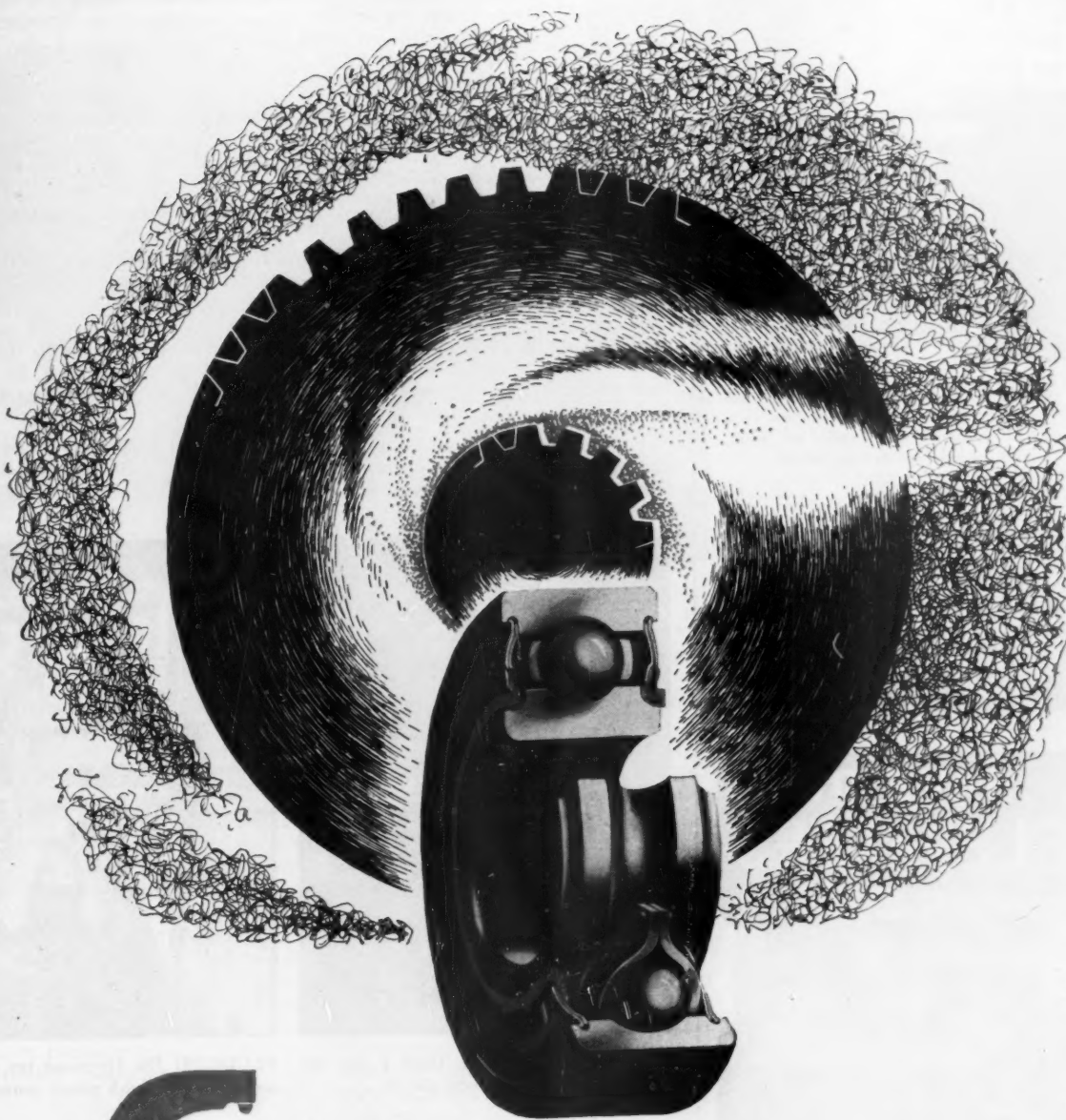
4 Intermediate conveyor picks up the loosened coal chunks, brings them back to the centrally located hopper amidships. As the ripper reaches the top of the seam, operator moves it over and drops it down to cut the adjacent portion



5 Coal from the central hopper is picked up by the rear conveyor, is transported back to unloading point. This conveyor swivels through a 45-degree arc, is easy to position



6 Shuttle car, also made by Joy, receives coal from the rear hopper, lugs it to the surface or other discharge point. The mechanical miner can be serviced by any desired means of haulaway



ENGINEERED BY **SKF**

Industry needed a bearing... sealed to keep lubricant *in* and dust and grit *out*. **SKF** supplied the perfect answer in the pre-lubricated **SKF** Red Seal Bearing that runs cool at high speeds.

Because the light rubbing of the contact seal produces only slight friction, power loss is at a very low level.

SKF Red Seal Bearings are made to standard single row S.A.E. width, and are interchangeable with the conventional non-sealed ball bearing.

7025

SKF BALL AND ROLLER BEARINGS

The right bearing in the right place

SKF INDUSTRIES, INC., PHILADELPHIA



WHY? He sits all day in a **STURGIS POSTURE CHAIR!** A Sturgis takes the work out of sitting by encouraging the erect, healthful posture that defeats fatigue.

Our interesting new booklet, "The High Cost of Sitting", tells you how to improve office efficiency. Write today for your free copy.



GLOBE

Get This Bulletin

Less cost to install, less to maintain. Globe Oilift specialized industrial elevators are built for the heavy punishment of plant, store, and warehouse use. No pent house required. Extra safety features. Economical to install and operate. Push button control, motor pump power. Write today for illustrated Bulletin BW3.

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GLOBE
LIFTS and ELEVATORS

PRODUCTION BRIEFS

Continental Motors' tank engine (BW—Sep. 18 '48, p. 46) will be made for Army Ordnance at the Muskegon (Mich.) plant. The Army's order for the 12-cylinder, V-type model comes to \$18.8-million.

Boats to bowling alleys: Electric Boat Co. has a scaled-down, fully automatic bowling alley for homes, amusement parks. Cost: \$1,100. Small balls are used; you bowl at electrical contact plates wired to lights that simulate pins.

Railroads spent 75% more for equipment in the first nine months of 1948 than a year ago. Class 1 roads paid out \$631-million for rail equipment.

A new floor covering, Corlon, will go to Armstrong Cork dealers next summer.

Said to be practically indestructible, it's made from resin-based synthetic.

Jet propulsion studies will be sponsored by the Guggenheim Foundation, which has put up \$500,000 for centers at Princeton and Cal Tech.

Buick will triple output of its Dynaflo transmission by Mar. 1. Current production: 450 a day.

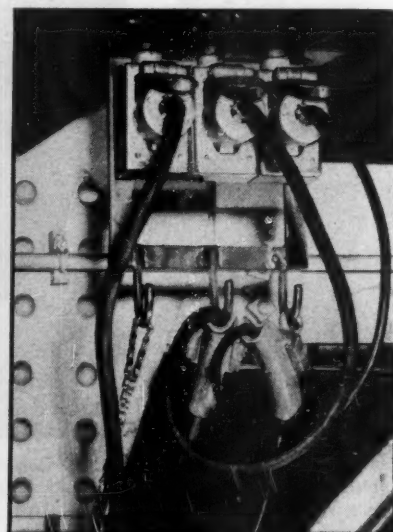
New cyclotron at University of California will have electrical equipment from Westinghouse. Parts for the betatron "heart" will cost about \$1-million.

Standard letter-symbols for physics writing have been set by American Standards Assn. See Z10.6-1948.

Production capacity for plastics is up 50% to 60% this year at Bakelite. Expansion will continue in 1949.



ON STEEL PALLETS, small presses are toted to plant spots, where they're . . .



PLUGGED IN: Overhead bus ducts have outlets to give quick power connection

Portable Presses Save Plant Space

Moving machines to the work rather than taking the work to the machine is paying off at the Grand Rapids (Mich.) plant of American Seating Co. The idea has cut handling costs 35%, saved about 40% of former floor space.

Small presses, formerly arranged in line, were fed from large machines. As the big presses completed work, the material was moved by totebox and truck to the small press line in another part of the plant. That meant waste space and lots of unproductive handling. Material was moved from three to four times before a job was finished.

In the cost-cutting portable-press method, the small presses are mounted

on steel pallets, lifted on counter-weighted fork trucks, and lugged right over next to the big press.

Electrical connection is simplified, too: Four parallel electric bus ducts run the length of the press room. Two of these run down the center, serve the presses. The other two are for accessory power. Outlets (picture, above right) are located every 12 to 15 ft. Hence the small presses, once moved to position, can be "plugged in" by flexible cable like an electric fan. That idea cuts out the need for permanent wiring setups, does away with time-wasting electrical disconnecting work when presses are to be moved around.

NEW PRODUCTS



Small-Size Snow-Mover

Making its bow this winter is a new snow remover for small towns, plant storage and loading areas. Built by Barber-Greene Co., Aurora, Ill., the Model 522 Snow Loader is said to load a 5-cu. yd. truck in one minute. That compares to about 20 min. of shoveling by a four-man crew, the company says.

One man can operate all the controls on the self-feeding unit. Built to squeeze through low-clearance overpasses, it can be shifted easily from one clearing job to another. Other advantages: an automatic overload release; a spiral feeding device for full-capacity loading and for breaking lumps and ice.

For a small extra cost, the loader can be converted into a year-around bucket loader, the company says.

• Availability: immediate.

Two-Speed Transmission

A two-speed transmission developed by Western Mfg. Co., 3400 Scotten Ave., Detroit 10, gives a broad range of speeds, and provides special input-output speed ratios you can't get with conventional equipment. Its principal use: to supplement or replace motors on machine tools.

Western uses a special clutching arrangement to get the two-speed output. When the motor runs in one direction, a clockwise over-running clutch engages the gearing to the output shaft. That provides one speed ratio. To get the other speed ratio, you pushbutton-reverse the motor. The first clutch disengages, a second, counterclockwise clutch engages, pours the power through to the

output shaft in a different ratio. At all times the output shaft revolves in the same direction.

The new transmissions will handle motors rated from 5 to 50 hp.

• Availability: 30 days.

Repair Resin

A new repair resin called Carbo-Fix has come out of the laboratories at Carboline Co. Company researchers say it sticks to just about anything—including glass, bronze, iron, and steel. The thermosetting resin has good corrosion resistance, high sealing and adhesive powers.

To apply the resin, you mix a fluid and a powder into a paste-like substance. Polymerization then sets in, solidifies the mixture. Depending on the temperature, the time it takes to "set" will vary; in hot weather it may take less than an hour.

Here are a few of the jobs that Carboline thinks the resin will handle: filling in pits and holes on corroded iron or bronze surfaces, repairing glass-lined kettles, joining cracked or broken equipment parts. The company address: 7603 Forsythe Blvd., St. Louis 5.

• Availability: one week.

Squat Jack

Built for the new car models, the Telowscooper jack is specially designed to fit easily under low-slung axles, speed up changes of low-pressure tires.

The jack has an extra-wide base, is balanced so it can't tip. The company says there's no chance of its slipping while you pump up the ram. A safety

valve protects the jack, releases the ram automatically if the load is beyond its capacity. Base, head, and handle socket are an iron casting, ram cylinders are steel. With the extension screw all the way out, over-all height is 12½ in. Models with 3-ton and 1½-ton capacity are available. The maker: American Hydraulics, Inc., Sheboygan, Wis.

• Availability: 30 days.

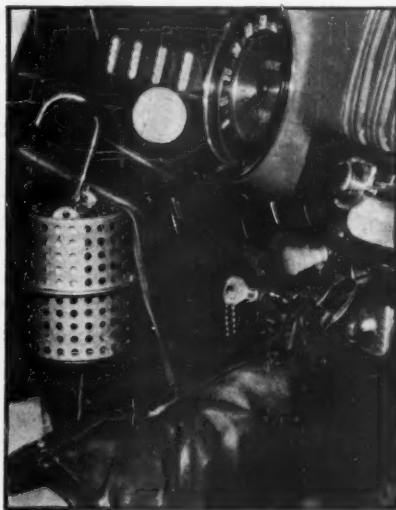
Civilian Walkie-Talkie

Pilot-plant production is under way on a civilian version of the wartime walkie-talkie. Citizens Radio Corp., the manufacturer, says it has FCC approval on the set for public use in the 465-megacycle band.

The Transceiver is about one-quarter the size of its military "daddy." It's housed in a 6 x 2½ x 1½-in. metal case, topped by a small folding antenna. The complete unit weighs about 2½ lb. All equipment, except headphone and batteries, is built into the pint-sized "station."

Big share of the credit for the radio goes to Sylvania Electric Products. It manufactured the subminiature tubes that helped make the design so compact. The transmitting section uses a Sylvania 6K4 oscillator; the regenerative receiver has three tubes. Range is "several miles." Company headquarters are at 1865 Prospect Ave., Cleveland 5.

• Availability: early part of next year.

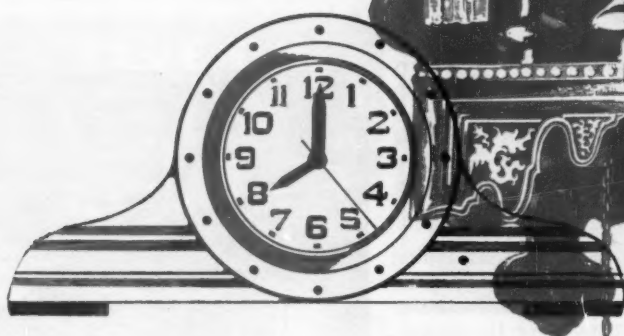
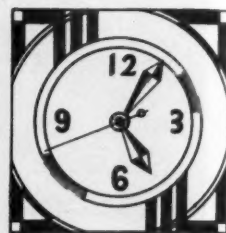


Battery Reviver

Newest quick cure for an ailing automobile battery is a device worked out by General Electric Co.'s Lighting & Rectifier Division. The Vitalizer is a portable job that keeps up the battery's efficiency for quick starts on cold mornings.

About the size of a small can of fruit, the Vitalizer hangs from a hook that slides over one of the spokes in

Brother, can you spare



McGRAW-HILL

HEADQUARTERS FOR BUSINESS

publications



In 1680, Dutch settlers in the Hudson Valley reckoned time by these hand-made fancy clocks. Today, Westchester commuters catch their trains by inexpensive clocks, mass produced by mechanized methods, that are far more accurate than their elaborate ancestors.

the time?

...not if you're selling to business and industry

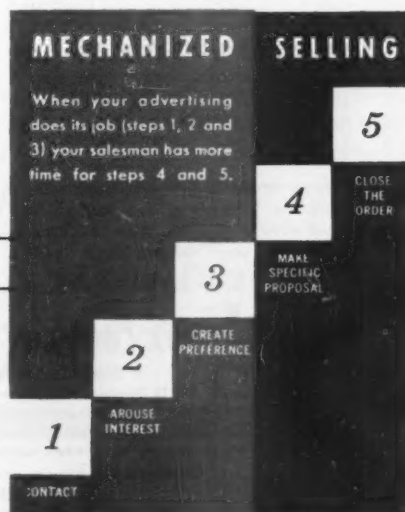
Today's salesman can't spare the time to sell by old-fashioned methods. Surveys show that, if he attempted to call on all his accounts, on the average he could spend only two hours a year with each and that he usually has to see at least, three people in each organization. Deducting traveling time, waiting, and routine work, only 50 per cent of your salesman's time is available for actual *selling* jobs.

That's why your salesman needs **MECHANIZED SELLING** which uses the high speed and low cost of **ADVERTISING** to make the preliminary contacts, arouse interest, and create preference for your product. **MECHANIZED SELLING** does this faster—and cheaper—than even the nimblest salesman. Then, he can devote a greater portion of his limited working time to *sales* jobs which he, and he alone, can do best. The moral is: saving your salesman's valuable time saves dollars in sales costs to you.

*You will find this important matter of salesman's time discussed fully in a new McGraw-Hill booklet entitled, **Orders and How They Grow**. Be sure to ask your McGraw-Hill man for a copy, or write us today.*



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FAMOUS QUOTES

HISTORICALLY SPEAKING

"REMEMBER THE ALAMO"*

GENERALLY SPEAKING

"the container is part of the product"

... and this, also, is well worth remembering. It is important to *you* because "part of the product" engineering provides for the better and more economical packing and shipping of your products.

It assures lightweight, compact, extra-strong containers that are designed specifically to the product. It means that the container and the product can frequently move down the production line together—as a unit.

Our engineers will be glad to help provide a better container for your product. Write today. Also request your copy of the new issue of "The General Box."

**The ringing war-cry of Sam Houston's men at San Jacinto; in memory of the 180 gallant Texans who died with Cols. Wm. B. Travis, James Bowie and Davy Crockett, at the "Alamo Mission."*



General Wirebound Crate



General Nailed Box



General Cleated Corrugated Container



General All-Bound Box



General Corrugated Box



General Lift Pallet

GENERAL BOX COMPANY .. engineered shipping containers

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Detroit, East St. Louis, Kansas City, Louisville, Milwaukee
New Orleans, Shobeygan, Winchendon, Natchez.
Continental Box Company, Inc.:
Houston, Dallas.

the steering wheel. It has two lead-in wires; one plugs into the dashboard cigar lighter, the other connects to a 110-v., a.c. outlet. Built for overnight use, it maintains chemical activity in the battery, keeps the starting power at its summertime level, G. E. says.

The device is made in models to fit any car—with either a positive or negative grounded system. It weighs a little more than 2 lb., is small enough to store in the glove compartment. G. E.'s address: Schenectady 5, N. Y.

• Availability: immediate.



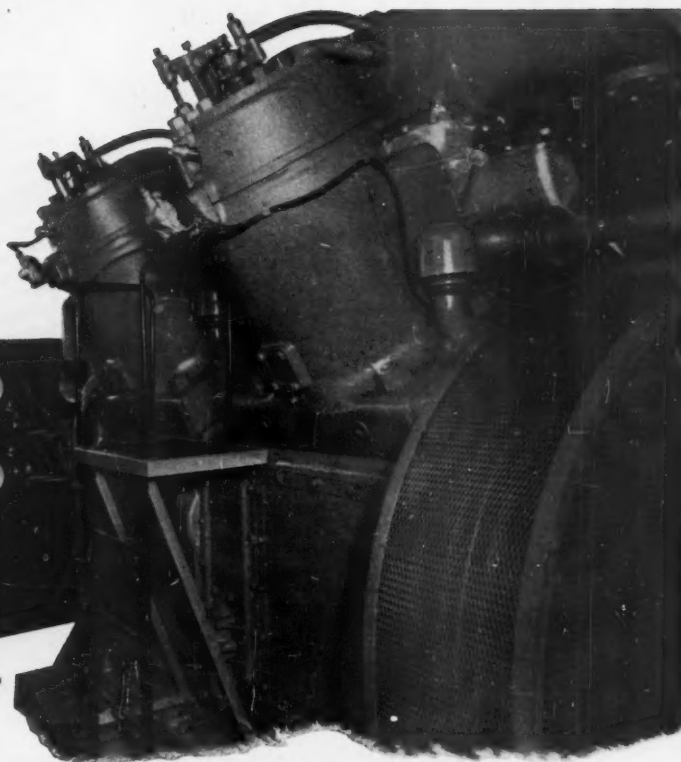
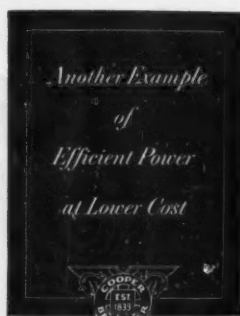
Electrical Secretary

Highlight of the new Edison Voice-writer is that it makes the speaker's voice much more distinct. It does this through a special electronic circuit for dictation control. Designers call it Ear-Tuned Jewel Action.

Edison people say that the machine makes hard-to-hear sounds like the "d" in "clocked" much clearer. The secretary can stop and start the machine without missing a syllable. If she stops it on the "l" in "lips," for instance, the first sound she hears when she starts again is the "ps."

The machine uses 7-in. Vinylite plastic discs, good for 30 min. of dictation. They can be erased in a special device which spins the records under heat. Other features: a warning light that prevents "dry runs" in your dictation (it blinks when the disc is not firmly in place, or when the cover isn't down); a.c. or d.c. operation; completely inclosed recording parts; a blower that cools working parts, keeps them from overheating. Thomas A. Edison, Inc., the manufacturer, is in West Orange, N. J.

• Availability: immediate, although production is limited.



... saves 2 million feet of gas daily by using **SELF-CONTROL!**

HERE'S an engine *born* with lots of self-control... built that way by Cooper-Bessemer for completely automatic operation. It provides compressor power for the delivery of casing-head gas from a Texas oil field to a gas company's main pipe line system.

This self-controlled, automatic operation cuts expense to the bone, making it economically practical to conserve daily an average 2 million cubic feet of gas that otherwise would be flared or wasted.

To meet requirements such as this, Cooper-Bessemer engineers first developed engines ideally suited for automatic control... exceptionally flexible engines, capable of wide variations in load and speed, yet extremely compact and equal to continuous operation for *months* at a time. Next, they devised new control features, new *methods* of automatically adjusting for all variables in engine operation.

During its first two years of operation, the above unit shows a continuous-duty record of 96.3 per cent. This splendid record is a typical result of the development work that goes on all the time at Cooper-Bessemer. Time and again it leads to improved diesels, gas engines and gas-diesels for *every* kind of heavy-duty service.

So if you want to know how you can cut your power costs year in, year out, find out about the *new* things being done by one of America's *oldest* engine builders.

The
Cooper-Bessemer
Corporation

MOUNT VERNON, OHIO

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DIESELS • GAS ENGINES • ENGINE-DRIVEN AND MOTOR-DRIVEN COMPRESSORS • HIGH PRESSURE LIQUID PUMPS

MARKETING



FROM FIBERGLAS YARN, yankproof, fireproof, come . . .



MARQUINETTE CURTAINS for homes. With the textile . . .

Fiberglas Seeks Wide Consumer Market

O.-C. F. has good foothold in the industrial and institutional trade, now wants to round out its distribution via retailers.

"Glass curtains" actually made of glass are Owens-Corning Fiberglas' new entry in the consumer-market race.

• **Market: Industrial**—When Fiberglas first started, 10 years ago, it looked as though its products were headed almost entirely for an industrial future. The company had a single plant, in Toledo, Ohio. It had been formed by Owens-Illinois Glass Co. and Corning Glass Works to carry on research in glass fibers, to adapt them to commercial use, and expand the product's embryonic markets.

Between 1938 and 1948, both the product and the plants that made it grew plenty. The company now employs some 6,000 workers in its five factories, does a yearly volume of over \$50-million. Fiberglas, the basic product, has turned up as fireproof insulation material, in air filters, and in storage batteries. Combined with plastic resins, it went to war in the form of airplane hangar curtains, and as "radomes" to cover airborne radar equipment.

• **Market: Consumer**—Last week, Fiberglas officials were preparing their baby for home life with Mr. and Mrs. Consumer. The new entry is a textile called "Coronized marquisette." Early next year, Fiberglas' new product will be selling over the counters of U. S. department stores and specialty shops.

The new textile is not the company's first try in the consumer field. For a

number of years, Fiberglas has sold air filters for home use. But the market for air filters is relatively limited; Fiberglas counts on its new textile to cut a wider sales swathe.

For businessmen who may not know a velveteen from a voile, marquisette is the white, loosely woven material used in making curtains (picture, above). Frequently these curtains are called "glass curtains," because they hang next to the window pane. But Fiberglas claims to be the first company on the scene with a "glass curtain" that is really glass.

• **Reasons for Change**—Fiberglas decided to set up its activities in the consumer field for two reasons:

(1) Its well developed research facilities (roughly one out of every 10 Fiberglas employees is a researcher) were constantly finding new applications for the fibrous glass material. Some of the product refinements they turned up looked good for home as well as for industrial use.

(2) Fiberglas doesn't want to be completely dependent on industry for its markets. Its management felt that it is good business to have more than one kind of customer on the books. When Fiberglas' Coronizing process proved practical, the company thought it had the right product for a wedge.

• **Office and Home**—Last June, Fiberglas had brought out some heavy-textured

marquisettes for commercial use in hotels, offices, restaurants. Because the curtains are fireproof, they are especially suited to institutional use.

For the home market, the company thinks the fireproof nature of the glass fabrics is a good selling point—but it's not all-important. Home curtains have to be finer in weave; they have to be washable, easy to handle; and they have to look and feel like everybody else's curtains—not like a show-window fabric. One other important requirement: They have to be priced competitively with ordinary marquisettes.

Fiberglas feels that its new curtain meets these requirements. Two main reasons account for its suitability: the slenderness and strength of the yarn, and the Coronizing process.

• **Coronizing Process**—Coronizing involves several steps. First the fabric—woven from thin glass strands—is subjected to heat of 1,100F. This burns off the lubricant put on the yarn earlier to make it easier to weave; and it gives the fabric what Fiberglas calls "a permanent, relaxing crimp." Next it goes through a resinous bath; this gives it water-repellency. Actually, glass fibers won't absorb moisture; but water can coat the surface of the yarn and get between adjacent fibers. The resinous bath reduces the fabric's tendency to pick up water by this sort of capillary action.

After the bath, the fabric is reheated to set the resin. Last step is the dyeing and finishing of the fabric (currently it comes only in white and egg shell).

Once the fabric has been Coronized,

it has what textile men call "good hand" and "excellent draping" characteristics. The glass fibers in the material won't spread, either. And the fabric can be handled like any other textile—without the use of any special tools. Fiberglas Corp. feels that these characteristics make its fabric particularly attractive to curtain manufacturers.

• **Distribution**—The new curtains won't go directly from Fiberglas to the retail store. The company will sell its yarn to weavers, who will fabricate it into the open-mesh marquisette fabric. Then the material will go back to a Fiberglas plant for the heat treatment.

The curtain manufacturer will get it next. He will distribute the made-up curtains and yard goods to the retail outlets.

Fiberglas may not stick to this system. Later it may license the weaver to Coronize the fabric himself. That way, the woven fabric wouldn't need to return to the Fiberglas plant before it goes to the curtain maker.

• **Price a Question**—The curtain manufacturers haven't set the price on their products yet. It's a pretty good guess that curtains made of Fiberglas' marquisette will probably sell at slightly more than ordinary marquisette. The price difference won't be enough, however, to discourage sales, say company officials.

• **Advantages**—After all, says the company, look at what the consumer will get for just a little more money. The curtains won't burn or wrinkle, mildew or rot, stretch or shrink. They won't char under the heat of a glowing cigarette. And the moth who tries to live on a diet of Coronized marquisette won't survive the first day.

Washability is another of the fabric's strong points, Fiberglas says. Since the material is made from nonabsorbent glass, washing becomes a matter of removing dirt from the surface of the yarn. In seven minutes, the curtains can be laundered in a washing machine, rinsed, and rehung—no ironing. The company claims that the fabric will take as many as 30 machine washings without breaking down or losing its look of newness.

• **Other Plans**—Fiberglas has plenty of other strings in its fabrics bow. It hasn't announced yet what its next consumer product will be. Eventually, however, it expects to market a complete line of decorative consumer fabrics.

Right now the company is trying to find answers to some tricky production problems. One of the main ones is the difficulty of dyeing or printing any of its glass fabrics. Since the cloth repels water, grease, and dirt, it also has an unfortunate tendency to repel dyes. Fiberglas research labs are working on these questions; they have already turned up some tentative answers.

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Stokes is a source—perhaps we may say *the* source—for authoritative information on the subject . . . for documented information on procedure . . . for the best in equipment.

We have a dozen machines specially designed for these fields. We build them, test them, prove them. We invent, design and adapt for new purposes. Our chemists, physicists, mechanical and electrical engineers, take *your* problems through our semi-plant-scale laboratories and bring you proved procedures and samples with cost estimates.

Sometimes they prove you shouldn't do it by industrial tableting. In any case you get the facts . . . fortified by 50 years of intimate association with manufacturers in the Metal, Chemical, Ceramic, Electrical, and Food Processing fields.

We've learned a lot in 50 years of that sort of thing, and we've made notes—a library-full—which is our source for the information we use in helping solve your problems.

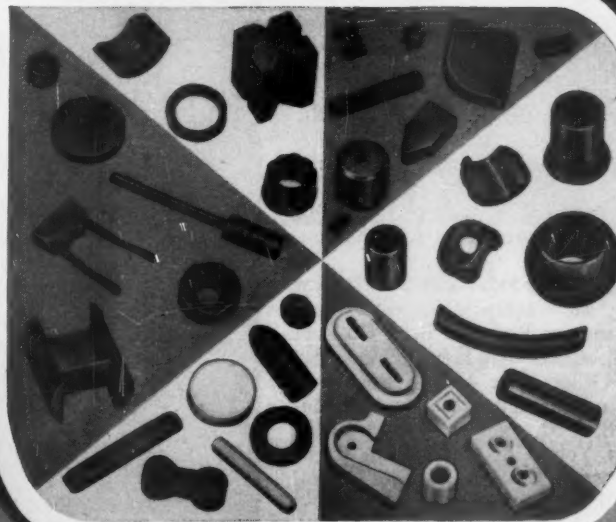
F. J. Stokes Machine Co., 5956 Tabor Rd., Phila. 20, Pa.



Stokes makes Vacuum and Special Processing equipment, High Vacuum Pumps and Gages, Pharmaceutical equipment, Industrial Tableting and Powder Metal Presses, Plastics Molding Presses, Water Stills and Special Machinery.

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- Cemented Carbides
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- Electrical Products



STOKES

KNOWS
HOW

From Factory to Consumer

Bond Stores strengthen trend toward integration of production and merchandising in clothing industry by licensing some 200 smalltown merchants to sell Bond clothes. Crawford does likewise.

In the past few years, men's clothing manufacturers have tended more and more to sell their products direct to consumers. Last week this integration gained new momentum. Bond Stores, Inc., largest U. S. manufacturer of men's and women's clothing, announced that its plan to license some 200 small-town merchants to sell Bond clothes was well under way.

Bond hasn't said who or where the retailers are who will merchandise the Bond line. Many of the dealers to be franchised, however, will carry women's clothing lines as well as men's.

• **Nothing New**—Integration is nothing new, either to the clothing industry or to Bond, which already operates 57 wholly owned retail outlets in 47 cities. The significance of Bond's move lies in the reinforcement it gives to a long-term trend in the manufacture and distribution of medium and low-priced clothing.

In the early 19th century, clothes making was still a craft; each man's suit was an individual production job. By the 1870's, however, a few manufacturers had begun to turn out ready-made clothes. B. Kuppenheimer & Co., for instance, has evolved from a company that was founded in 1876. And the company which later became Hart Schaffner & Marx (in 1911) got its manufacturing start in 1872.

• **Outlets Wanted**—Integration of the production and merchandising functions didn't come immediately. But sooner or later, many of the big manufacturers started to look for a way to sell their garments directly to the consumer.

Most of these today find that the best outlets are company-owned stores. Some, such as Richman Bros. Co., sell through outlets that bear the company name. Others, like Hart Schaffner & Marx, sell through subsidiary companies. H. S. & M. operates Wallach's Inc., in New York City (10 stores), F. B. Silverwood in Los Angeles (four stores), and outlets in other cities.

• **Crawford Joins In**—Crawford Clothes, Inc., is another manufacturing and selling chain that has felt the urge to widen its distribution. Early this fall, Crawford announced that it would sell its line of garments through department-store outlets as well as through its own stores. Mandel Bros., Chicago, was the first store to get a Crawford-leased department.

With the Bond and Crawford moves,

men's clothing takes another step on the road to standardization. As the giant manufacturing chains widen their distribution, regional differences in dress are bound to diminish or disappear: The bookkeeper in San Francisco can wear the same sharp lapels and pleated trousers worn by the Times Square bookie.

• **Outgrowth**—Standardization is, of course, a natural outgrowth of mass production. The symbol of these phenomena is the national brand.

Mass distribution of goods has lagged far behind its production counterpart. Yet it has developed methods for creating a common desire for a standard product. Advertising is the big factor here.

• **Standardized Beer**—National brands have advanced on many fronts. Brewing, for instance, used to be largely a regional operation. Individual brewing methods produced a variety of tastes, colors, and consistencies in the finished product. Today, the regional brewer is hard-pressed to keep his individuality.

National beers, standard in taste, color, and alcoholic content, are available in every U. S. community. Some small brewers, spurred by the competition of nationally branded products, have joined forces to put out a standard beer under a standard name. And chemists for both sides are searching diligently for the one brew that will excite the greatest number of American taste-buds.

The trend toward standardization has also appeared in prefabricated houses, electrical appliances, automobiles. Furniture makers have recently gone home from the first annual meeting of the Branded Furniture Assn.

• **Individualism**—But the brands haven't won a complete victory yet. The custom-tailored suit comes under this heading. So does the individually blended face powder, the foreign automobile, the morocco-bound edition of Keats.

• **Standardizing Furs**—Millinery and furs, according to a recent study made by Fairchild Publications, are the two lines that depend least on national brands for sales. A woman's hat cannot be standardized or regimented. But in furs, the trend toward integration and standardization is becoming apparent. I. J. Fox, the biggest retail furrier in the world, recently announced that it would sell its merchandise on a national scale (BW—Nov. 20 '48, p88).



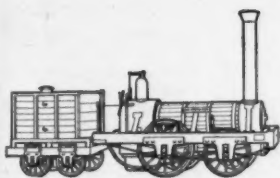
Recording Starts as the Disc Ban Ends

Everyone wanted to be first to get a song on the wax last week. Union leader James Caesar Petrillo and the phonograph record companies had ended their 11½-month feud. Columbia Records, Inc., thinks it took the honors with Arthur Godfrey (left) warbling a song called "Little Guy." RCA-Victor got

its share of publicity by making a special record for President Truman—with Petrillo leading a group of Metropolitan Opera stars. Their song: "I'm Just Wild About Harry." The record companies are hoping that the new discs they can now turn out will prop record sales, now in the doldrums.



modern locomotives with a heritage of engineering achievement



In 1832, when Matthias W. Baldwin built "Old Ironsides", the locomotive was a primitive machine. Many of the early improvements and refinements that laid the groundwork for present day railroad motive power were the result of Mr. Baldwin's genius, and this work was continued by those who followed in his footsteps.

The part which this organization has played in the development of more powerful and efficient locomotives, to meet the demands of the railroads, is evidenced by the many outstanding examples of steam, electric, steam turbine, and diesel-electric locomotives designed and built by Baldwin in recent years. A still newer type—the gas-turbine locomotive—is now under construction.

As a builder of all forms of railroad motive power, Baldwin can recommend the locomotive type best suited for the job to be done.

OTHER BALDWIN PRODUCTS: Diesel engines; hydraulic presses; hydraulic turbines and water control equipment; testing machines and instruments; ship propellers and shafts; oil well pumping jacks; rolled steel products; steel and non-ferrous castings and forgings.



BALDWIN

The Baldwin Locomotive Works, Philadelphia 42, Pa., U.S.A. Eddystone Division; Standard Steel Works Division; The Whitcomb Locomotive Company; The Pelton Water Wheel Company; Baldwin Locomotive Works of Canada, Ltd.; Baldwin Locomotives International, Inc.; The Midvale Company.



1 2 3 4 5 6 7 8 9

JOIN THESE TOP EXECUTIVES



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IN MAKING YOUR BUSINESS SECURE!



19 20 21 22 23 24 25 26 27

You're looking at the Industrial Advisory Committee for the United States Treasury Department. For the good of the nation's business generally—and of their own companies specifically—these men have been applying their talents and prestige all year to promoting sales of U. S. Savings Bonds via the Payroll Savings Plan.

They have sponsored the Plan in their own plants. They have made speeches, written letters, and boosted participation in the Plan among other companies in their fields. During the past 12 months, these industrial leaders have helped bring about the greatest surge in Payroll Savings participation. Now over 20,000 large companies have introduced this plan, and more than 7,500,000 employees are signed up for security. They are saving over \$150,000,000 per month!

With their keen business vision and experience, these men fully appreciate

how sales of Savings Bonds benefit everyone: the individuals who buy them, the companies that operate the Payroll Savings Plan, and the nation over-all.

Is your company getting its full share of the Plan's benefits? To find out, call your State Director, U. S. Treasury Department's Savings Bonds Division.

- | | |
|--|---|
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| 2 ALBERT BRADLEY, Ex. V. P., General Motors Corp. | 15 H. FREDERICK HAGEMANN, Jr., Chrm., ABA Treas. Savings Bonds Comm. |
| 3 EARL BUNTING, Managing Director, National Assn. of Mfgs. | 16 HARRY B. HIGGINS, Pres., Pittsburgh Plate Glass Co. |
| 4 PAUL F. CLARK, Chrm., Board of Dir., John Hancock Mutual Life Ins. Co. | 17 JOHN HOLMES, Pres., Swift & Company |
| 5 PHILIP R. CLARKE, Pres., City Nat'l. Bank & Trust Co. | 18 CHARLES HOOK, Chairman, Armco Steel Corp. |
| 6 MARTIN W. CLEMENT, Pres., Pennsylvania Railroad | 19 GALE JOHNSTON, Pres., Mercantile Commerce Bank & Trust Co. |
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The Treasury Department acknowledges with appreciation the publication of this message by

BUSINESS WEEK

This is an official U. S. Treasury advertisement prepared under the auspices of the Treasury Department and the Advertising Council.



MARKETING BRIEFS

The dip in profits of department and specialty stores shows up in figures for the first nine months of the year. Profits sank from 4.1% of sales in 1947 to 3.8% in 1948. But dollar sales were up anywhere from 1% to 25% for most stores.

Canadian department stores are doing O.K. this Christmas. While U.S. stores dipped below last year's figures in early December, Canada's stores posted an 11% gain.

A new dry-cleaning detergent—du Pont's Ovalclene—will be on the market after New Year's. It will be sold to dry-cleaning establishments.

There's no 20% excise tax on empty compacts or lipstick cases when they're sold in combination with cosmetics, says the Treasury Dept. But the cosmetic itself is still taxed.

Guaranteed trade-in allowance of half the purchase price is being offered to buyers of radio-phonograph consoles by New Orleans' Krauss Co. To get it, customers must turn the consoles in on a TV set before mid-1950.

Schenley Industries, Inc., is the new name of Schenley Distillers Corp.—which stockholders felt no longer described the diversified business.

May Department Stores plans to acquire a Sioux City (Iowa) unit by taking over T. S. Martin Co. Stockholders must approve an exchange of some May common stock for Martin's assets.

Joe Louis wants a bigger cut—\$250,000 this time—from radio and TV rights for his heavyweight title bout next June.

An old racket has reappeared in New England. Phony agents induce a housewife to let them take her sewing machine away for "modernizing." And that's the last she sees of it.

A drive-in shopping center in Chicago will enable you to shop without leaving your car. Howard T. Fisher & Associates designed the eight-acre center; the realty firm of Schoenlank & Kirschner will build it next year.

TV receiver output climbed to a new peak of 122,304 in November. Radio Manufacturers Assn. says that beats the output in October by 28%. And it is four times the January, 1948, production rate.

...at the Greatest
HOME Show
on Earth!



No doubt where the greatest home show is. Small cities and towns! They contain 60% of all non-farm homes.

The more homes, the more home equipment. Small cities and towns account for 62% of America's appliance stores!

And HOUSEHOLD is the only big monthly aimed directly at this market!

Not only that. Even in this rich area, HOUSEHOLD hits the bigger homes (more housekeeping), the bigger families (more cooking, more washing). What a market for appliances!

Particularly when HOUSEHOLD urges these families to buy—regularly—with continuous, Idea-Planned editorials on new home equipment.

With such a potent combination—(1) the greatest home market, (2) the biggest home owners, and (3) articles that back up the ads—no wonder leading advertisers agree, "Success is a HOUSEHOLD word!"

Bigger and Bigger!

- Present HOUSEHOLD biggest in history—most articles, most ads!
- Advertising revenue up 35% this year alone!
- Million dollars in new business since introduction of new format!
- More 4-color pages—reproduction second to none!
- And still this low cost per 1,000—\$2.40 for black and white, \$3.20 for 4 colors!

Capper Publications, Inc., Topeka, Kansas

HOUSEHOLD

a magazine of action for small cities and towns

The Inside Story of
STEEL






Selling Steel to the Consuming Public

U. S. Steel Corp. thinks that consumers would like to know that the steel in their automobiles or refrigerators was made in a particular way and why. So it has prepared a series of instructional booklets to train retail

salesmen to tell the public about the unseen qualities of steel. They do the job in non-technical fashion. U. S. Steel hopes they will do a lot to spread the story of the product-behind-the-product.

FINANCE

Utilities: Record Sales Aren't Enough

Mounting operating costs, cheap rates squeeze utility profit margins. While kilowatt-hour sales boom, stocks show signs of strain.

By the yardstick of kilowatt-hour sales, electric utilities are booming as they never have done before. But around Wall Street, there's nothing booming about utility stock prices.

• **Record Sales**—Last year, sales drove past all records. They soared 14% to a new peak of over 217-billion kwh. That's 10% above sales in 1944, previous record-year, when war production was accounting for 42% of all sales.

The postwar spurt hasn't ended, either. The utilities have signed up over 2-million new customers this year. At the same time, average customer-use of power has risen sharply. So 1948 will see another new sales peak.

• **Vulnerable Securities**—The activity on the Street reflects none of this.

Election returns touched off a long string of sour markets. But long before that, most utility shares had been acting poorly. And since election day, they have proved more vulnerable price-wise than most other stock groups.

• **Reasons**—One reason, of course, is the long-standing scare caused by Washington's attitude toward privately-owned utilities. Another harmful factor: the large amount of common stock overhanging the market lately, partly to finance new construction, partly to comply with "death-sentence" provisions of the Utility Holding Co. Act.

Equally responsible, and perhaps more so, have been two other factors: (1) The rapid rise in the industry's postwar operating costs;

(2) The absence of enough rate increases to offset those costs for all companies. That means weaker earnings (table).

• **Pinch**—Despite these two factors, utility dividends haven't been sliced much so far. But here and there utilities have been shaving dividend payments. And the trade's earnings potential has certainly been pinched between costs and rates. Here again, the industry paradox of highs and lows appears: For example: Last year net earnings of the utilities were at a new high; yet they rose only \$14-million above 1946 levels despite some \$350-million more of gross.

• Between 1939 and 1947 net expanded only 23%, some \$125-million; operating revenues were up \$1.3-billion, or 61%.

• Gross revenues last year were 91%, or \$1.6-billion, higher than in 1929.

Yet 1947 profits rose only about \$80-

million, less than 14%, above 1929 levels.

• **Below-Par Profits**—This showing is by no means typical of business generally. Last year all corporate profits added up to \$18.1-billion, some 260% higher than the 1939 figure, 115% greater than the 1929 total.

This year, too, utility earnings will probably be out of line with those for corporate profits generally—and on the wrong side of the line. All corporate profits are expected to jump some 12% above their 1947 level, to still another peak in 1948. Utilities don't look for a rise of over 2%, or \$19-million—though revenues will run some \$400-million larger.

• **Cost Factor**—The culprit in the case is the rapid postwar increase in the trade's basic costs.

Thus, this year, less than 17.5% of gross is apt to be converted into net profits; in 1947, the ratio was 18.9%. In 1939, 25.1% of gross became net.

Why have operating costs ballooned so? Mainly because of the pressure

from two sharply rising items—payroll and fuel expenses. Those two together were eating up some 37.5% of each revenue dollar in 1947; just a decade before, they consumed only 25.5%. This year they may absorb 41%.

Here's what payroll and fuel costs have been doing:

• **Payroll**—Average weekly earnings of utility employees in 1947 reached a record \$57.04. That was about 10% higher than in 1946. And they may have established another new high in 1948. This year the total is expected to run 10.5% ahead of its 1947 figure.

• **Fuel**—Fuel costs have rocketed the same way. Only \$170-million in 1939, they ran around \$600-million in 1947. This year it's estimated they jumped to around \$775-million.

Part of the fuel rise was due to poor water conditions, which cut hydro-electric power production and hiked the use of higher-cost steam-generating plants. And coal came higher this year. The average price of coal, or its equivalent in other fuels, was \$6.50 a ton vs. \$5.62 in 1947.

• **Relief?**—You can do your own guessing on how long the squeeze on utility profit margins will last. But for the long

How Utility Revenues and Earnings Add Up

(In Thousands—000 Omitted)

	Gross Revenues		Taxes		Net Earnings	
	1948	1947	1948	1947	1948	1947
Alabama Power (1).....	\$33,042	\$28,546	\$5,728	\$5,736	\$4,889	\$5,392
Cleveland Elec. Illum. Co. (2).....	59,697	50,427	9,086	8,057	8,068	7,276
Commonwealth Edison (1).....	175,002	161,029	33,788	32,514	18,135	21,396
Consolidated Edison of N. Y. (1)...	276,056	247,683	55,086	48,630	27,985	23,801
Cons. Gas, El. Lt. & Pow. (1).....	52,536	46,226	6,913	6,890	5,193	5,865
Consumers Power (1).....	64,213	58,089	8,844	8,922	10,668	10,578
Dayton Power & Light (1).....	25,029	22,950	3,847	3,891	3,551	3,769
Detroit Edison (2).....	115,598	102,170	NA	NA	9,877	10,520
Georgia Power (1).....	48,332	42,627	6,735	6,407	5,239	5,070
Houston Lighting & Power (2).....	26,807	23,061	5,088	4,387	4,921	3,616
Kansas Power & Light (2).....	21,781	20,675	3,750	3,784	3,196	3,943
Narragansett Electric (1).....	17,492	14,208	2,099	1,990	1,905	1,608
New England Electric System (1)...	77,991	69,970	11,639	12,753	5,514	6,479
New England Power (1).....	20,595	16,629	1,875	2,298	1,714	2,430
Niagara Hudson Power (1).....	102,716	95,447	19,881	21,006	10,088	11,934
No. Indiana Public Service (1).....	31,986	27,967	4,962	4,655	4,471	4,240
Northern States Power (1).....	50,292	45,352	10,763	10,216	7,285	7,347
Ohio Edison (1).....	34,043	31,459	6,218	6,115	5,272	5,259
Pacific Gas & Electric (2).....	198,910	180,115	35,094	35,642	26,318	24,797
Public Service El. & Gas (1).....	124,840	111,865	NA	NA	13,905	17,424
Southern California Edison (2).....	95,375	82,918	13,255	15,270	10,825	10,493
Tampa Electric (2).....	9,356	7,942	1,286	1,503	1,251	1,485
Texas Power & Light (2).....	22,070	19,361	3,961	3,244	4,181	3,575
Virginia Elec. & Power (3).....	49,231	43,655	NA	NA	5,743	6,224
Wisconsin Public Service (1).....	13,370	11,794	1,904	2,014	1,210	1,524

(1) January-September. (2) 12 months ending Sept. 30. (3) 12 months ending Oct. 31.
NA Not Available.

pull, at least, the guideposts point to some relief.

Electric power rates have been going down in recent decades, while most other prices have been going up. Thus, they are now one of the cheapest of living costs. This year, average revenue per kwh. was only 1.79¢, some 17% less than in 1939.

• **Rates**—As a result, the hue and cry for lower rates is dying down. Instead, state regulatory commissions are beginning to listen sympathetically to cost tales of woe. Some utility companies lately have been permitted to offset today's heavier costs—at least in part—through more favorable fuel-adjustment clauses, lower discounts for prompt payment of power bills, and some straight rate increases (BW—Jul. 3 '48, p. 34).

• **New Equipment**—The huge amount of modern equipment already installed, or soon to be installed, should cut down generating costs as the months go by, and when the postwar price-inflation bubble bursts, costs all around could drop materially.

Don't forget either an especially favorable basic trade factor: Utility earnings never have been radically affected by changes in the general trends of business.

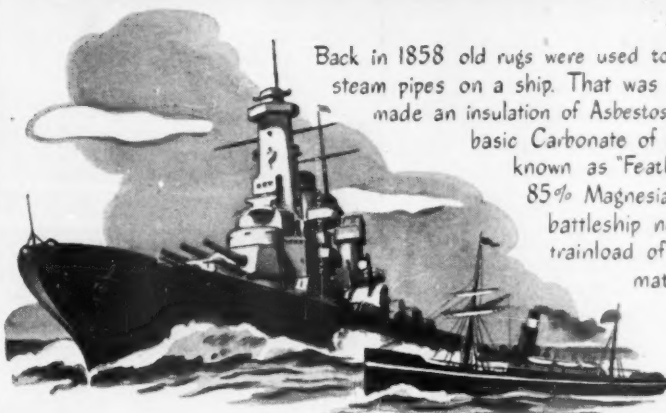
• **Recessions Hurt Less**—Recessions, it's true, do lighten power demands. But it's always the industrial load that is cut the sharpest. Commercial and residential demand usually shrinks relatively little. And it is these sales that bring the trade its largest profit margins. Smaller power sales, too, would mean that a bigger share of output would come from the modern, cost-saving generating equipment now being installed.

• **Bad Timing**—But no matter how hard you look for the bright side, there's still the indisputable fact: Today's squeeze on profit margins and the drop in security trading markets couldn't have come at a worse time. Right now, the utilities are in the midst of expansion that will probably cost over \$6-billion before it is finished in 1951.

Only some \$2-billion of this can be financed by depreciation and amortization accruals and retained earnings. Public sale of new securities must finance the rest. If the trade is to keep its capital structure well balanced, it will have to sell some \$1.8-billion of equity issues, including at least \$600-million of new common stock.

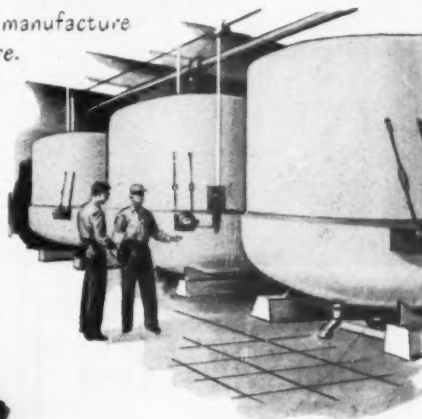
• **It Depends**—Obviously, the utilities can pull off such a deal only if stocks generally hold up—and utility stocks in particular. On the first glance, the industry seems to have done fairly well this year; by September it had secured from the public practically all its \$1.7-billion estimated 1948 new-capital requirements. However, such sales included only some \$273-million of new stock. And that's not so good.

How much do you know about Asbestos?



Back in 1858 old rugs were used to insulate steam pipes on a ship. That was before K&M made an insulation of Asbestos Fibre and basic Carbonate of Magnesia, known as "Featherweight" 85% Magnesia. Today, one battleship needs a trainload of insulating materials.

These tanks, used in beverage manufacture at a high operating temperature, are insulated with K&M 85% Magnesia. During weekend shutdowns the heat loss is less than 7° a day. That's insulating!



Thousands at New York's World's Fair and since at the Franklin Institute in Philadelphia have seen this snowman sitting cool and collected atop a blazing 600° of heat. "Why doesn't he melt?" they wondered. (see below)

No, it wasn't done with magic... or mirrors. The secret of the snowman was a cushion of insulation—a 5½-inch slab of K&M 85% Magnesia and Asbestos Block insulation which so effectively bottled up the heat that the snowman couldn't even warm his toes!

Is it any wonder that so many factories, ships and refineries select K&M "Featherweight" 85% Magnesia for tough insulating jobs? Not only is "Featherweight" an extremely effi-

cient insulation for temperatures up to 600°... it is also fireproof, strong and durable. Properly applied, it will last indefinitely without loss of efficiency.

If the insulation in your plant is not what it should be, "Featherweight" 85% Magnesia may hold the answer to the problem. K&M Distributors strategically located throughout the country will gladly survey your set-up and make recommendations. Write us for further details.

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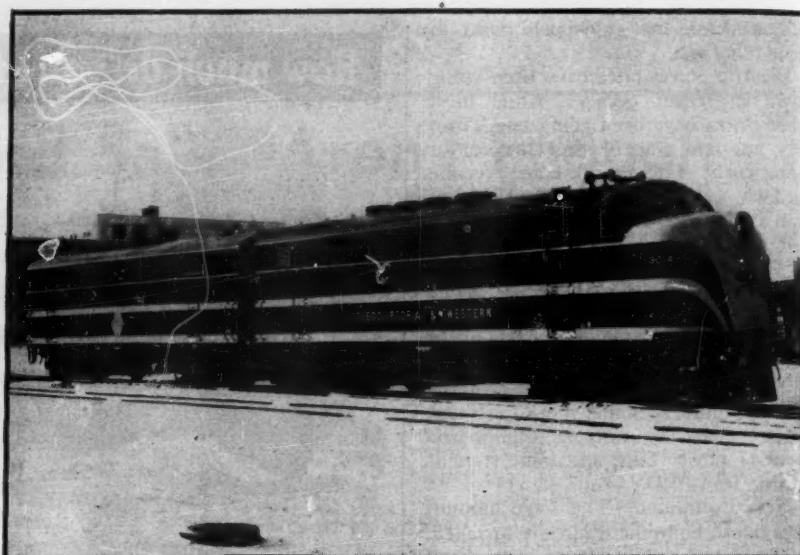
• Now—more than ever before—heads of closely-held corporations realize how important key executives are to the success of their business. That's why they're using The Mutual Benefit's Special Business Insurance Plan to protect their company—through indemnity—against the crippling effects that would result from the sudden death of these key men.

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Business Insurance Division
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Organized in 1845 Newark, New Jersey



NEW DIESEL LOCOMOTIVES for Toledo, Peoria & Western are one reason why . . .

Little Road Makes the Grade

Capitalizing on its troubles, T. P. & W. is pulling ahead in the long haul from adversity to good times. Modern equipment, new labor policy, and a fighting sales spirit are main reasons.

Turbulent strikes, court action, and murder have drawn the publicity klieg lights onto the little Toledo, Peoria, & Western R. R. in recent years. Now the \$8.8-million, 239-mile road is riding for the limelight under its own power.

• **Selling Jobs**—A lot of shippers are scheduled to hear more about this bridgeline bisecting Central Illinois. Chances are that they may hear it directly from the mouth of the carrier's president, J. Russel Coulter (picture, page 58). Head of the road since May, 1947, Coulter spends half his time traveling from coast to coast, buttonholing prospective shippers, drumming up freight traffic for his line.

Last week in Peoria, Ill., headquarters of the line, Coulter staged a two-day conference of traffic representatives. Department chiefs briefed the men on operations, on ways to increase traffic. There was a banquet, to which prominent national shippers—and the press—were invited. The following morning the agents were routed out at 5:30 A. M. to inspect the line and to learn what their railroad had to offer in the way of service and facilities.

In his effort to build business, Coulter actually is capitalizing on the troublous record of the road—a record that culminated in the murder of his predecessor, George Plummer McNear, Jr. In trade, business, and railroad journals, T. P. & W. places ads which carry such slogans as: "Rolling again—between East

and West," "The rebirth of a vital railroad."

• **Payoff**—Coulter's efforts have paid off: For the first 10 months of 1948 he could point to gross revenues of \$3,834,000 and profits of \$514,000 after all charges; these figures top those for any previous 12-month operating period—except maybe some of the war years. His operating ratio was also down to a nice low of 67.5%. This indicates a degree of operating efficiency few Class I roads will be able to match this year.

It's a million-to-one shot that the full 12-month operating picture will be vastly different from last year's.

For four months in 1947, a long-standing strike kept all but an occasional T. P. & W. train from running. Out of 1947 earnings, too, had to come a \$3.5-million income-tax liability for 1942-46; this arose from settlement of some \$6.3-million claims against the government arising out of federal wartime operation of the road. Result: The road last year reported revenues of only \$1,783,000 and a net deficit of \$3,684,000.

Along with his traffic-building efforts, Coulter has gone in for (1) a \$1-million modernization program, and (2) a completely renovated labor policy.

• **Modernization**—Some 3,000 tons of heavier, 115-lb. rail have been laid this year. Two 1,500-hp. diesel-electric units were bought in 1947, two more in 1948 (picture, page 56). Coulter is looking to the day when he can buy eight more



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Think what this means in terms of your accounting records, sales and

service reports, file cards, inter-office memos, etc.

Whenever you want extra copies—you obtain them in seconds—without manual transcription... without proof-reading... or errors.

You can reproduce either the whole original—or desired parts of it. You can even transpose columns of figures from separate reports to a composite Ozalid

print—perform unheard of short cuts on almost every job in your office.

Now consider this: translucent paper costs no more than standard bond paper... and using it you can make Ozalid prints size 8½ x 11 inches for only 1½ cents each.

No wonder it pays to have every office form, record, letterhead—even your scratch pads—on translucent paper!



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Lists 116 job-by-job savings for your office.
Explains for example:

- How anyone can produce Ozalid prints in 25 seconds—prints that are always delivered dry, ready for immediate use.
- How you can reproduce translucent reports, etc. which are up to 42 inches wide, hundreds of yards long.
- How your files become "alive"... by simply using translucent cards.
- How to "color code" your work by making Ozalid prints with black, blue, red or sepia lines on a white or tinted background.
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ELWELL-PARKER Power Industrial Trucks more than justify their cost because they continue to cut materials handling expense for years and years. Their remarkably long life is due to Elwell-Parker's *unequalled* engineering—gained by 42 years' experience serving 300 branches of industry.

E-P trucks are operated by the world's cheapest power—electricity. 47 models "tailored" to your specific load and plant conditions by the  man.

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explains Scientific Materials Handling. 44 illustrated pages. Ask for "Industrial Logistics". The Elwell-Parker Electric Co., 4535 St. Clair Avenue, Cleveland 14, Ohio.



ELWELL-PARKER

Power Industrial Trucks
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diesels to replace all of the T.P. & W.'s 16 steam locomotives.

• **New Labor Policy**—Coulter makes it a point to know employees. He holds staff meetings, including sessions with the rail brotherhood members.

One indication of the success of Coulter's labor policies: When the nation's railroads were seized by the government last May (BW—May 15 '48, p20), the T.P. & W. was excluded from seizure. Coulter had previously agreed to give his workers whatever pay and rule changes were contained in the national settlement. T.P. & W. brotherhood members didn't even take a strike vote.

In his labor relations, Coulter is following policies diametrically opposed to those of McNear. But in most other T.P. & W. matters, he is treading in the footsteps of the man he succeeded.

• **Hard Pull**—For much of its century-long life, the railroad has had to fight for its existence.

Only eight years after its organization, the road hit its first receivership. It was sold at foreclosure in 1880. Seven years later it ran into new difficulties. An excursion train for Niagara Falls was wrecked when a 15-ft. trestle collapsed near Chatsworth, Ill. Eighty-one persons were killed, hundreds injured.

Damage claims exceeded \$300,000—a heavy financial burden for a small road. Through the years when most railroads were booming, the T.P. & W. struggled along. It finally succumbed July 1, 1917, when a receiver was appointed.

• **McNear Takes Over**—McNear, then a vice-president of New York's Guaranty Trust Co., bought the road in 1926 for \$1.3-million. He saw definite possibilities in the "two streaks of rust." The road is a natural link between eastern, western, and north-south carriers.

Important to shippers was the fact that T.P. & W. offered a route for through freight which bypassed the congested Chicago terminal. McNear abolished passenger service, concentrated on building up the road as a freight carrier.

Within four months he had lifted the line out of the red. Even during the depression 30's, the carrier showed a profit.

• **Tangling With the Brotherhoods**—But McNear early ran afoul of the railroad brotherhoods. In 1929 union employees struck, wound up being ousted from the line. Not till 1940 did the brotherhoods regain bargaining rights.

Three weeks after Pearl Harbor, the unions struck again. The government stepped in. McNear fought the unions and the courts at every turn, lost out—temporarily—when President Roosevelt seized his road in March, 1942 (BW—Mar. 28 '42, p15). In 1945, he finally won back control of the line.

• **Violence**—But no sooner had McNear won this round than the strike flared



BIG WHEEL in T. P. & W.'s progress is J. Russel Coulter, president

again. This time there was violence. In February, 1946, two pickets were killed and three companions were wounded in a clash with armed guards riding a T.P. & W. armored train. The guards were indicted but acquitted.

Finally came a federal court order in January, 1947, ending picketing.

Two months later McNear was slain from ambush. His murderer never has been apprehended.

• **Settlement**—Executors of the McNear estate, grown to a value of \$10-million, quickly settled with the brotherhoods; basis was standard contracts in force on most other railroads (BW—Apr. 26 '47, p111). Thus ended McNear's 20-year battle against what he termed feather-bedding.

A few weeks later Coulter was induced to head the T.P. & W. Affable, easy to get along with, Coulter came to the T.P. & W. from the St. Louis-San Francisco Ry. (Frisco Lines), where he had been vice-president.

• **Financial Structure**—The McNear family is still virtual owner of the T.P. & W. Through the Prairie Schooner Co., the estate controls 85% of the road's stock; New York's Central Hanover Bank & Trust Co. has 15%. Only 50 \$100-par shares are outstanding, and the amount of dividend payments lately hasn't been announced. Some years ago, however, due to the small number of shares, the payoff was quite spectacular; between 1936 and 1941 they ranged between 1,500% and 3,000% annually.

• **One Score To Go**—One result of Coulter's efforts during the short time he has been at the helm: All litigation in which the T.P. & W. was involved—and there was plenty—has now been settled or withdrawn. But the road's offer of \$25,000 for capture and conviction of McNear's assassin still stands.

FINANCE BRIEFS

Interest rates of 2% on deposits are now being paid by three more New York City savings banks. That puts 58 New York State savings banks in the 2% column. Another 69 pay 1½%; four pay split rates.

Municipal bond prices, pushed up by the election results (BW—Nov. 27 '48, p96), are still going strong. Dow-Jones yield index (which moves inversely to prices) now reads 2.18%, as against 2.45% before election.

Sheraton Corp. has 28 units in its chain with the addition of the 1,600-room Park Central Hotel, New York City's fifth largest. Sheraton is said to have paid \$5.5-million for 47% stock control.

Packers' profits nosedived this year, as anticipated (BW—Nov. 9 '48, p28). Despite \$2-billion in sales, Armour lost some \$2-million in the fiscal year just ended, as compared to profits of about \$23-million in 1947. Swift's earnings dropped to \$27.1-million from 1947's \$35-million. Cudahy earnings are down to \$1-million from \$7.1-million.

Tucker Corp. is now accused of failing to pay the government \$49,000 of income taxes deducted from employee paychecks. That's on top of hearings coming up over suits demanding appointment of a receiver (BW—Dec. 11 '48, p88).

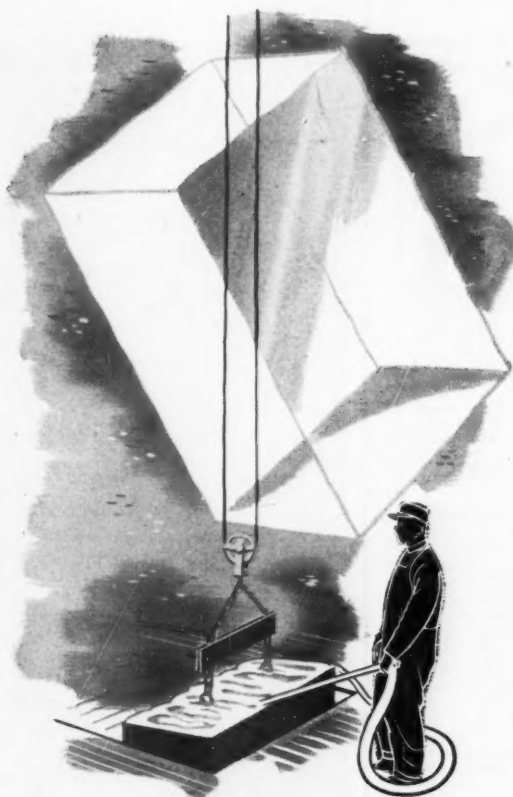
Philadelphia-Baltimore stock-exchange merger (BW—Dec. 4 '48, p97) is going through. Philadelphia will be headquarters.

Gulf, Mobile & Ohio's "approaching complete dieselization" has cut its 1948 operating costs some \$5-million. This year's earnings will be more than \$6-million, as compared to 1947's \$3.9-million net.

U. S. hotels are "dangerously near" their breakeven point. The American Hotel Assn. says room occupancy must be 84% to cover expenses. October's rate was down to 86.4%. The year before it was 92.8%.

The Pictures—Acme—65, 73 (left); Bob Iscar—62; David Seymour—Magnum—78; Dorsey & Peters—25; Harris & Ewing—63, 73 (center); Keystone—74; McGraw-Hill World News—77; Wide World—50, 58, 73 (right).

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Your
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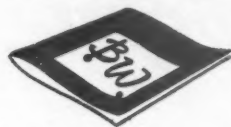


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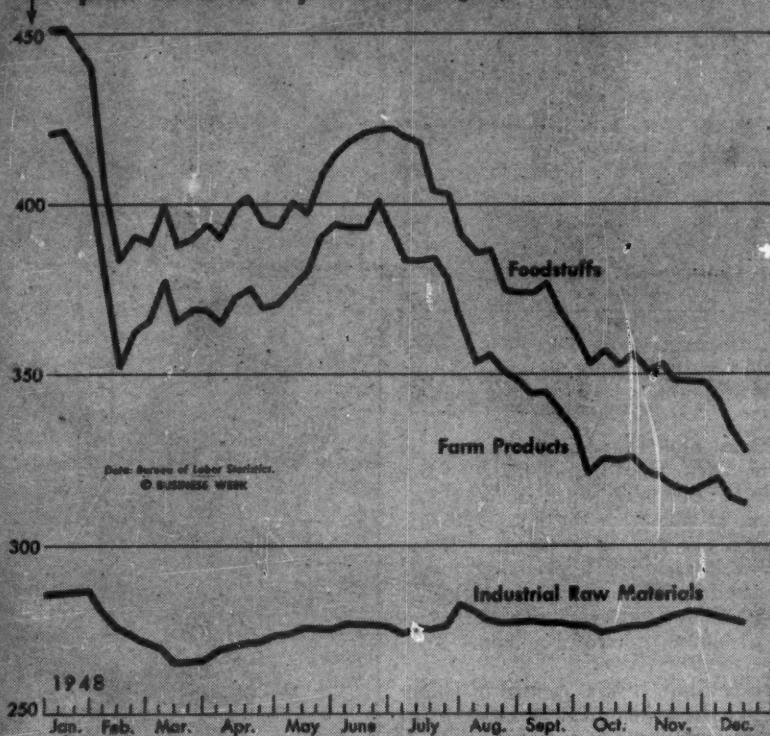
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THE MARKETS

Spot Commodity Prices (August, 1939=100)



Raw Material Costs Stay Up

Prices of foodstuffs and farm products sagged 25% during 1948. But—chiefly because of soaring metals prices—cost of industrial raw materials remained on a high plateau.

Falling prices for farm and food commodities may help the consumer to get a shade more mileage out of his dollar. But the spot markets haven't brought down industry's cost much in the past year.

• **Farm Products Down**—Farm and food prices, as measured by the Bureau of

Labor Statistics indexes, dropped better than 25% during 1948 (chart). First there was the sudden break in February; then a long rally; then, as 1948's bumper crops began coming in, prices slid back down.

The industrial raw material index is ending the year just about where it began—in the neighborhood of 280. That's a drop of little more than 6% from the old high.

If you look at the commodities one by one, however, you will find cross currents that don't show on the surface.

• **Metals Strong**—Most of the strength comes from the metals. Copper is 23½¢ a lb. now, against 21½¢ in December, 1947. Zinc is 18.2¢; a year ago it was only 11.1¢. Lead is 21½¢, up from 15¢ in December, 1947. And steel scrap in Chicago is \$41.75 a ton against \$39.00.

But on the other side of the ledger you have wool tops at \$1.70 a lb., against \$1.89 in December, 1947. Hides

Security Price Averages

	This Week Week Ago	Month Ago	Year Ago
Stocks			
Industrial	150.0	151.2	150.1
Railroad	42.5	43.4	43.9
Utility..	66.1	65.9	67.0
Bonds			
Industrial	94.9	94.5	94.7
Railroad	84.6	84.5	85.1
Utility..	93.9	93.3	93.6

Data: Standard & Poor's Corp.

are 24.8¢ a lb. now; a year ago they were 36¢.

Print cloth (the 64x60 construction) is down 40% from last December.

• **Squeeze**—The print cloth situation is a good example of the sort of squeeze that a manufacturer can get into when prices are changing fast. Cotton has dropped only 10% since last December. Since wages and other costs have been

going up meanwhile, it's obvious that the difference had to come out of profit margins.

Whenever prices go down, there is a danger that manufacturers will take a beating on inventory. But there aren't many who have been hurt that way in the past year. Wholesale prices have held up long enough to let manufacturers work off the bulk of their stocks.

Stock Dividends: 1948 Phenomenon

More companies paying some dividends in stock instead of cash. They need the cash for operating expenses, expansion.

Company	Rate of Stock Div.	Company	Rate of Stock Div.
Armco Steel.....	20%	National Lead Co.....	5%
ATF, Inc.....	10	National Steel Corp.....	10
J. I. Case Co.....	10	Philco Corp.....	7
Colonial Mills.....	5	Publicker Industries, Inc. (3).....	5
Consolidated Textile Co.....	10	Republic Steel Corp.....	4
Dow Chemical Co.....	2½	Socony-Vacuum Oil Co.....	2
Duplan Corp. (2).....	12	Standard Oil (N. J.) (3).....	5
Eastman Kodak Co.....	5	Standard Oil (Ohio).....	2
Eversharp, Inc.....	2½	Sun Oil Co. (4).....	20
National Cash Register Co.....	10	Texas Co.....	2½

(1) Two 3% dividends. (2) Three 4% dividends. (3) Two 2½% dividends. (4) Two 10% dividends. (5) Two 5% dividends.

Paying dividends in stock rather than in cash is nothing new. What is new is the sudden popularity of this form of payment with a lot of companies. Usually, in the past, stock dividends have been more the exception than the rule. This year, they have been more in favor than ever before.

• **Soaring**—In the January-November 1948 period, holders of Big-Board listed equities got 26 such disbursements. At least another 20 will be paid out this month. Stock dividends for equities not listed on the Board have been just as common.

There's no great mystery behind this trend. Frankly, corporations just have not had enough cash in the till to give stockholders a reasonable share, in cash, of their companies' prosperity. Here's why:

• **Cash Needed**—Though profits are at record-breaking levels, so are the cash needs of corporations. Because of high prices and high wages, it takes a lot of cash to pay for expansion programs, to finance day-to-day operations. And for a long time it has been too hard, or too expensive, to dredge up new cash by selling new equity issues. Hence, companies have had to conserve all cash resources possible.

Corporations would have more cash for dividends if they went easy on their expansion plans, or gave them up. But management has been loath to do this. They are depending on new facilities to strengthen their competitive positions as buyers' markets return. And they believe that, in the long run, stockholders will be served best if all expansion,

modernization, and improvement plans now under way are carried through.

• **Logic**—You can find some logic in the case for the stock dividend.

• **No security holder suffers so much as the holder of common stocks when hard times hit a business.** Anything a company can do now—like installing modern, low-cost production facilities—to insure profitable operations then is to the stockholder's advantage.

• **No company is paying dividends only in stock these days.** In effect, stock payments have been "extras" accompanied by cash dividends. Often the cash payments have been higher than they were in 1947.

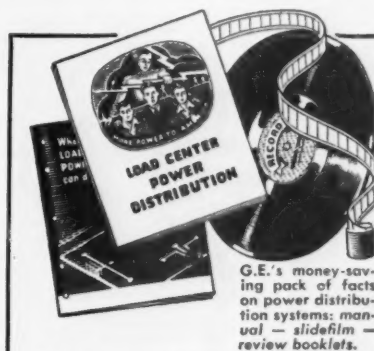
• **You can always convert a stock dividend into cash by selling the stock.** And in income tax reports, only a certain percentage of such cash is taxable, and then only as capital gain.

• **Big But**—Stockholders, however, should know one basic fact of life: No stock dividend ever increases the recipient's equity in a business. It's nothing more than a stock split-up under a different name. And when a stockholder turns such a dividend into cash by selling it, he lessens his equity in a company's future profits.

Another point to remember: When a stock dilution is about to occur, through payment of a stock dividend, the going value of an issue is often drastically adjusted by the market.

• **Example**—Skelly Oil is a case in point. Some weeks ago its common quickly dropped from \$150.50 a share to \$112.50. Part of the reason was the payment of a 10% stock dividend.

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"BUSHELMEN" of stores' tailor shop are union members, and an opening wedge in . . .

Retail Organizing Drive

First real campaign is about to begin in department stores. C.I.O.'s Amalgamated Clothing Workers and A.F.L.'s Teamsters take lead. Organizing may spread to other white-collar fields.

Unions have never really put the heat on most department-store clerks to get them to join up. Along with office workers and other white-collar people, department-store employees are still a large and important nonunion group in a period of expanding unionism.

The big reason has been the weakness of labor organizations in the retail and white-collar fields. They haven't gone out after members with the aggressiveness of factory unions. Then, too, the C.I.O. unions having jurisdiction in stores and offices had tough left-wing problems; factional feuding has wasted their energy.

• **Signs of Change**—Now there are significant signs that all this is about to change. Unions are about to open the most intensive organizing drive yet among retail and white-collar workers in department stores.

The powerful, old-line Amalgamated Clothing Workers of America has been drafted by C.I.O. to take over its department-store organizing job. A.F.L.'s multi-industry Teamsters Union is mapping plans to organize retail employees on the West Coast and in Chicago.

• **Tough Organizers**—Both A.C.W.A. and the Teamsters are tough organizing unions. Both have ample funds, capable staffs, and—significantly—operating bases

for organizing drives in department stores.

Most stores already have Amalgamated contracts for "bushelmen" in their tailor shops (picture, above). And most have Teamster contracts covering the men who deliver parcels and work in warehouses. So many retail employers frankly admit that 1949 now looks like the beginning of the end of the nonunion pattern in retail employment.

• **Others, Too?**—This new development in the retail field isn't being overlooked by other employers of workers who are mostly unorganized. What's about to happen in the department-store field is a tipoff to the future for similar groups—office workers, supervisory personnel, and federal, state, and other public employees. In fact, it can spread over a whole range of nonunion people.

Strong unions are going to spearhead the drives; the smaller, vulnerable unions in C.I.O. are going to have to step aside. For example: Samuel Wolchok, who had headed the leftist-ridden Retail, Wholesale & Department Store Union, had department-store jurisdiction taken away from him last week. Other similar moves can be expected within the next six weeks.

• **Started in 1937**—C.I.O. began organizing in the department-store field in

1937. The Amalgamated directed the opening stages of the campaign, but gave up jurisdiction to the Retail, Wholesale & Department Store Union the next year.

R.W.D.S.U. got blanket jurisdiction over all "persons employed in and about retail, wholesale, department-store, warehouse and production establishments."

• **Failure**—This broad field was estimated to have a total potential union membership of between 5-million and 7-million. However, R.W.D.S.U.'s membership in the next decade didn't top 150,000. Most of this was in New York City and other big retail trade centers where left-wing forces were active. This concentration of strength in left-wing areas gave party-liners virtual control of the union.

R.W.D.S.U.'s reports have shown a drop in membership claims in the past year. The latest: 92,000, including 15,000 members in department stores, the rest in shoe, specialty, food, cigar, candy, and luncheonette establishments. Left-wing leaders took "close to 50,000 members" in 16 department-store locals out of the parent R.W.D.S.U. three months ago. The secession, according to leftists, was due to discontent over "general inefficiency" of the R.W.D.S.U. leadership.

• **Official Concern**—The deteriorating situation in the union had come in for official C.I.O. attention even before mass secessions began. Philip Murray, C.I.O. president, and other top officials blamed R.W.D.S.U.'s disturbed internal affairs for the union's poor organizing record.

They sought, at first, to strengthen Wolchok's vulnerable position in his tug-of-war with the left. The object was to help him take over unchallenged control of his union—as Joseph Curran and Michael Quill were managing to do in their unions (BW—Dec. 18'48, p. 106).

• **Inroads**—With national C.I.O. backing, Wolchok began to make inroads in the left's department-store strength. The fight began to come to a head when a leftist local called a strike against the big New York Oppenheim-Collins store. Wolchok and the national C.I.O. branded the strike a "wildcat"—not authorized by the union.

The leftist union lost out when the store management kept up normal operations. In a subsequent election, employees who refused to strike, and replacement employees, voted to be represented by A.F.L. The striking leftist local blamed Wolchok and Murray for that action.

• **Revolt**—Later, when Wolchok ordered local union leaders to sign non-Communist affidavits, the factional fight came to a showdown. The leftists took eight of the R.W.D.S.U. locals (and 30,000 New York members) out of the parent union. Eight other locals in St.

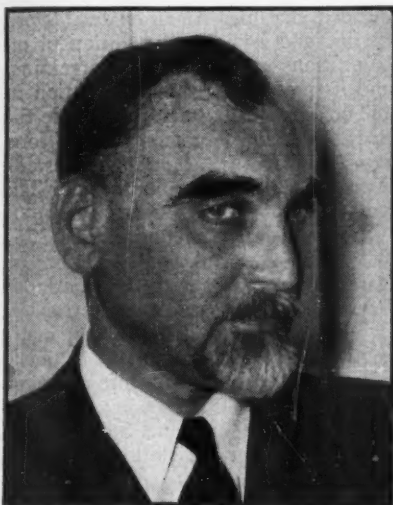
Louis, Detroit, and Toledo also dropped out.

Officers of the secessionist locals signed T-H affidavits immediately after leaving R.W.D.S.U. Where necessary, elected officers were shifted to non-elective jobs to make the required non-Communist oaths valid.

• **Temporary Advantage**—Despite the group's compliance with T-H, Wolchok was able to capitalize at first on charges that the union was being split by party-liners.

National Labor Relations Board elections were coming up at a number of stores. R.W.D.S.U. intervened, opposed secessionist locals to "protect" C.I.O. contracts. Wolchok sought—and got—further help from C.I.O.

• **Setback**—But the temporary advantage this gave Wolchok was wiped out quickly when C.I.O.'s annual convention opened in Portland, Ore. From



Jacob S. Potofsky

Amalgamated Leader

The man department-store management must reckon with in 1949 is Jacob S. Potofsky, president of the Amalgamated Clothing Workers of America (C.I.O.).

Born in Russia 54 years ago, Potofsky has been a trade unionist in this country for 40 years. He got his first job in the men's clothing industry at Hart, Schaffner & Marx. Under the late Sidney Hillman, he took part in the historic strike against that company in 1910. Potofsky served as a skillful Hillman disciple until Hillman's death in 1946, but since then he has been emerging as a labor leader in his own right. He is known as an advocate of harmonious collective bargaining and arbitration.

A six-footer, Potofsky has brown eyes and graying hair. He speaks slowly and thoughtfully, enjoys fishing, doesn't need the 27-year-old goatee for dignity.



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the platform, Murray deplored the lack of progress in organizing retail workers. He condemned the "inadequacies of the present organizational setup" in the retail union. And he lumped Wolchok—without mentioning his name—among leaders who, he said, are "sitting on their charter and running paper organizations."

It has never been established whether the C.I.O. president actually meant to include Wolchok in his criticism of inept union leaders; Wolchok commented that Murray was referring to the "Communists in my union." But the harm was done. Left-wing secession leaders, and other Wolchok foes, lost no time in telling R.W.D.S.U. members that Murray had admitted the validity of their charges against the Wolchok leadership.

• **Drastic Steps**—It was quickly obvious that more drastic steps were necessary if C.I.O. was to salvage department-store strength. C.I.O. executive officers decided that the Amalgamated, "with its fine and established tradition of organization and collective bargaining, and its present state of organization in the field, is ideally suited to provide the necessary leadership and guidance" for a new retail drive. They "requested" Amalgamated to take on the job. The union accepted.

The Amalgamated now claims 375,000 members in 600 locals. It has organizations functioning efficiently in 38 states and four provinces in Canada. It has organized 95% of the men's clothing and allied industries. And it already has some retail-store membership (about 5,000 nationally). Predominantly, this is in Bond Stores, Inc.—retail outlets for the clothing manufacturer (page 50).

• **Campaign**—Amalgamated officers began outlining "an intensive, potentially costly" campaign this week. The union's initial interest will be, primarily, in department stores which aren't under any union contract. It doesn't intend to take over established R.W.D.S.U. unions "at the moment." And it doesn't want, at any time, to move into food, drug, shoe, specialty, and women's clothing stores. R.W.D.S.U. will keep these. This week it retired Wolchok "on leave" as the first step in a reorganization.

Amalgamated is not interested right now in organizing mail-order houses. But it admits that it might be later, when its current objectives are achieved.

• **National Basis**—Organizing will be on a national basis. The New York stores where left-wing factionalism stirred up the first troubles for R.W.D.S.U. are going to get Amalgamated attention—but only incidentally. Amalgamated will intervene in NLRB elections at New York stores in an effort to "preserve the good name of C.I.O." There's an in-



LOSER in C.I.O. retail jurisdiction shakeup:
R.W.D.S.U.'s Samuel Wolchok

escapable impression that the Amalgamated doesn't expect to beat the New York leftists this year—but will make the fight for the record. It will aim at a real showdown with the New York store locals later, when it has organized a substantial department-store division.

Amalgamated organizing will start from "bushelmen" locals; it will spread through stores, include office workers.

• **Squawks Due**—Amalgamated expects some trouble from retail leftists—but a deal may be possible. It isn't concerned over a fight with A.F.L.'s Retail Clerks, which claims 163,000 members, but hasn't shown an aggressive spirit lately—although it now is trying to step up its organizing tempo.

• **Threats**—The Teamsters' opposition so far is limited to threats of contract drives in isolated spots. It would be headed by Dave Beck, head of the West Coast Teamsters. Beck financed organizing of clerks in Seattle a decade ago to keep them out of C.I.O.

He turned the group over to the A.F.L. Retail Clerks, but in effect they stayed a part of Beck's union. Offices were maintained in the Teamsters' building, and Beck was the one to whom all union problems were referred. Recently, the Retail Clerks sought to get the Seattle local out from under Beck's mantle.

• **Far-Reaching Effects**—The result of what, on the surface, has the appearance of a minor feud has been far-reaching: Beck got from the Teamsters executive board an order requiring all Teamster locals to cut off relations with Retail Clerks locals. This is pretty strong medicine; it's like administering penicillin for hangnails.

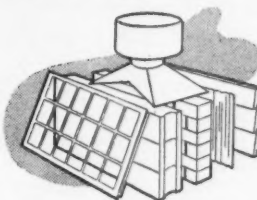
The obvious implication is that Beck, who has expansive jurisdictional ideas, would like to take over retail clerks. Substantiating this is a Teamster announcement that an organizing stalwart

Complete

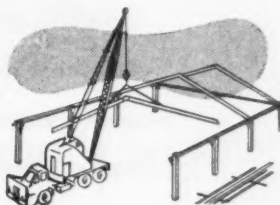
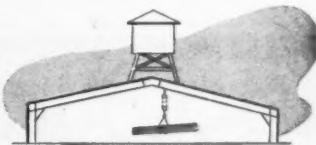
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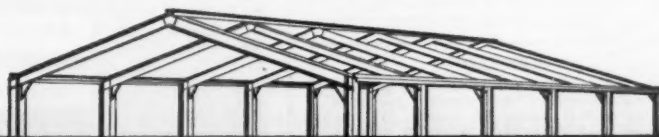


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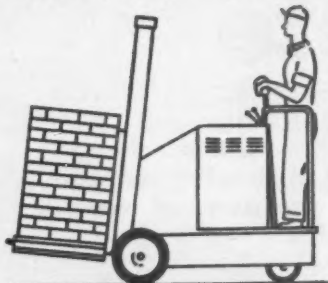


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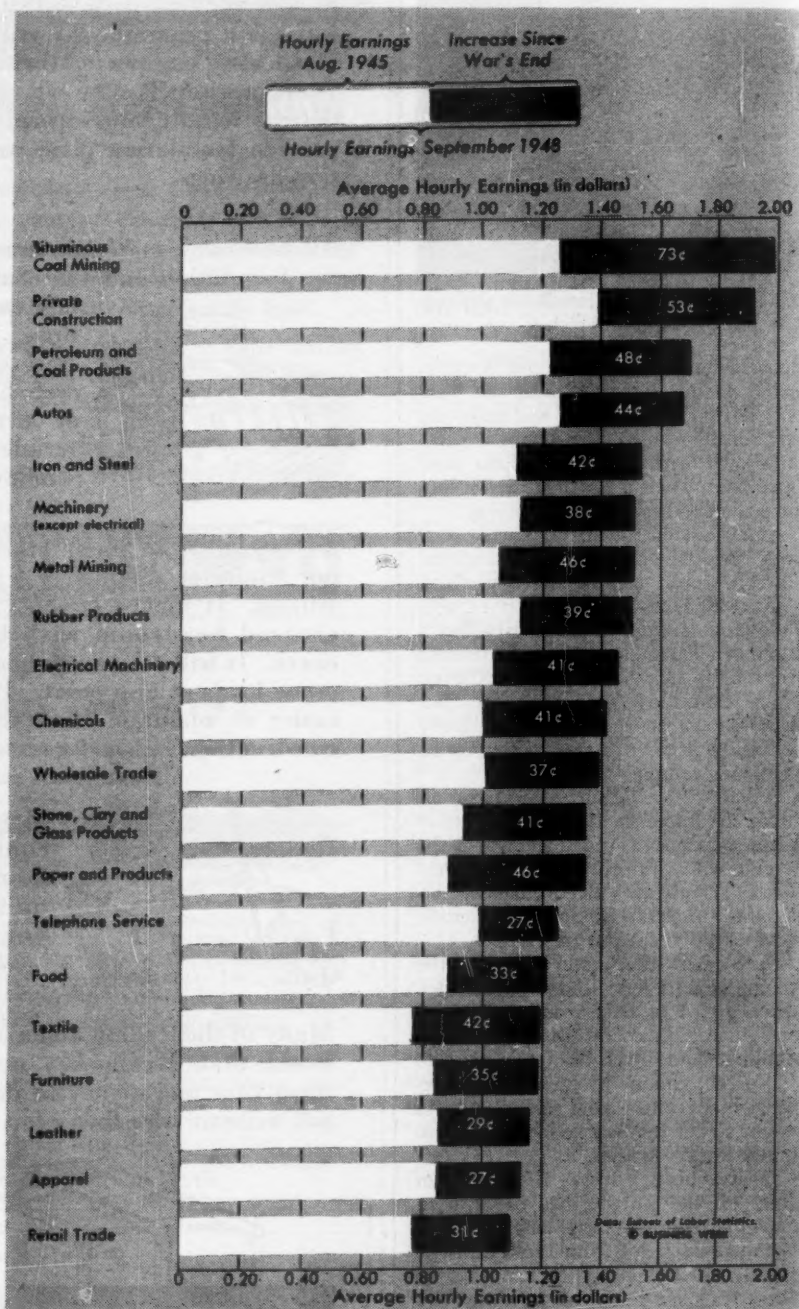
HAVE YOU SEEN.....
The National Industrial Real Estate
Bulletin of BUSINESS WEEK?

is being sent to Chicago to look into department-store prospects.

• **Management's Concern**—Department-store management, however, is most concerned over Amalgamated plans. One reason is the goodwill which that union has in its own industry. Control over plants producing men's clothing

can be an important weapon when Amalgamated tries to organize stores.

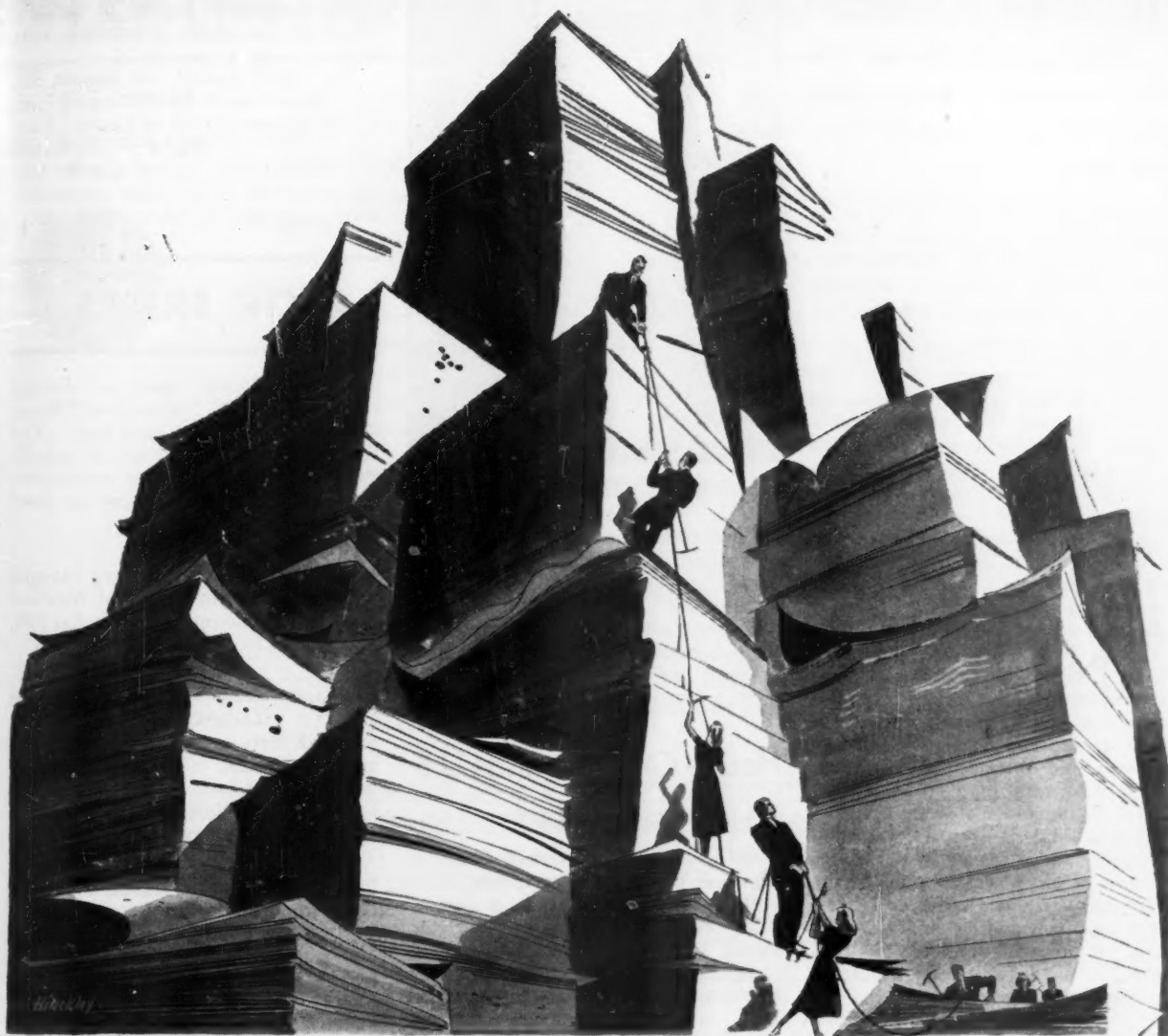
Moreover, the union is recognized as rich, smart, and stable. Retailers outside the biggest shopping centers admit that they haven't anyone in executive offices experienced enough to outmaneuver the union.



Retail Wages Lag Behind Many Other Industries

Of the businesses in which there are large employing units, retail trade pays the lowest average wages. True, postwar increases have averaged a hefty 28%. But the \$1.09-

per-hour earnings of retail workers make the field an inviting one for union organizers, who are about to start an intensified drive for retail members.



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Pressmen's Peace

Change of leadership will bring no change of policy, which was set 41 years ago by President Berry.

Any change among the officials of the pressmen's union gives printing employers a sharp case of jitters, for the International Printing Pressmen & Assistants (A.F.L.) has had a traditional policy of labor peace.

• **Tough One, Too**—Employers appreciate this policy all the more because most of them also have to deal with the militant International Typographical Union (A.F.L.). They figure that one tough union is enough (BW—Dec. 11 '48, p96).

The pressmen were made peaceful by George L. Berry, for 41 years their president. When he died recently at the age of 65, employers began biting their nails: A change of leadership might mean a change of policy.

• **Relief**—Last week the industry heaved a sigh of relief. Into the presidency moved J. H. de la Rosa, a California vice-president of the union. His first official act was to announce that the policy set by Berry during the last four decades would continue. The industry, he indicated, need have no fear of any change in the union's peace program.

Grey-haired de la Rosa, 63, worked as a commercial pressman in California for most of his 40 years in the union. In recent years he has been Pacific Coast organizing and bargaining specialist for the pressmen. He talks less than Berry did, and is relatively unknown in the printing industry outside the Far West. As vice-president, his salary was \$10,000 a year; he may take a pay cut as president. Berry, independently wealthy, was voted a salary hike from \$9,000 to \$20,000 at the union's last convention, but refused it.

• **Union Center**—De la Rosa, like Berry, will make his home in the Tennessee mountain country. Berry developed a union center there—a community which has taken the name Pressmen's Home.

The union maintains there a home for the aged, a sanatorium for ill union members, a hotel, a model farm, and—the most recent project—a \$1-million school which tests new printing methods and trains men in their operation.

• **Arbitration**—Keystone of the union's labor-peace policy is an arbitration clause in all contracts. Originally limited to newspaper agreements, the clause was extended this year to contracts with representatives of commercial printers.

The policy of the union reflects Berry's 40-year philosophy: "Capital is needed to start a business, management to conduct it, and labor to produce for



PRESSMEN'S PRESIDENT de la Rosa

it." Berry was convinced that any dispute could be settled by "across-the-board" bargaining, or—as a last resort—by arbitration. He also felt that when "the manufacturer increases production, there is more profit, and we will help bring it on"—provided pressmen are given a share in the profits accruing.

House Group Brands U.E. As Officially Red

C.I.O.'s United Electrical, Radio & Machine Workers has been reckoned a party-line union for nearly a decade. This week, a subcommittee of the House Labor Committee took official recognition of the oft-made charges.

• **Communist-Controlled**—It reported that: (1) Communists have seized control of U.E.'s "national offices, the executive board, the paid staff, the union newspaper, and a number of its districts and locals;" and (2) this gives Russia virtual control of the strategic electrical manufacturing industry in this country.

The report was based on testimony offered during four months of open hearings in Washington, New York, and Schenectady—where U.E. represents General Electric employees.

Top officers identified as Communists by committee witnesses are Organizational Director James J. Matles and Julius Empsak, U.E. secretary-treasurer. With other national and local union officers, they face possible contempt citations for refusing to say whether they are Communists. President Albert J. Fitzgerald testified he didn't know anything about communism.

• **Mostly Loyal**—The subcommittee report said most of U.E.'s 600,000 members are "loyal Americans but they are under Communist control." (A hot fight is under way in many U.E. locals to oust

left-wing leaders. It may presage an overturn of leftist control of national offices at the union convention next fall.)

The report praised the Atomic Energy Commission's blacklisting of U.E. on atomic energy work at General Electric (BW—Oct. 9 '48, p100). It recommended that other federal agencies take similar action where their contractors make vital national-defense products.

LABOR BRIEFS

Government-leased bases in foreign countries are U. S. "possessions," therefore subject to federal labor laws. The Supreme Court so decided in upholding a decision against three contractors. They must pay back-overtime for more than 40-hours' work a week.

• **More Puerto Ricans** are being brought to Lorain, Ohio, to fill jobs at National Tube plant. Company already has 900, may use up to 500 more.

• **Communications Workers of America** (230,000 members) may join A.F.L. or C.I.O. early in 1949. A special committee will seek offers from the big unions, report back by Feb. 1—in time to make a final decision before bargaining with Bell System next spring.

• **Placement bureau** for laid-off workers is being run jointly by Apex Electrical Mfg. and its unions. Apex has laid off 300, will dismiss 700 more. The Bureau placed 55 with other Cleveland employers in the first two days.

• **Union election** on company premises, and during working hours, was arranged by Allis-Chalmers and its C.I.O. union. Idea is to encourage members to take part in union elections by making voting convenient.

• **Musicians' welfare fund** is directed by trustee named by union and employers under new contract (BW—Nov. 6 '48, p103); the T-H law bars management from paying into union-controlled funds. But if T-H is repealed, the union will get sole power over the fund once more.

• **Second bonus** this year for 20,000 Endicott-Johnson employees will total \$2.7-million; the one in July hit \$1.3-million.

• **Strikes in 1948** will cost about 33-million man-days of idleness, as compared with 34,559,000 in 1947, 116-million in 1946, and 28.4-million for the biggest prewar year (1937).

INTERNATIONAL OUTLOOK

BUSINESS WEEK
DECEMBER 25, 1948



Washington wishes it could forget the Far East during Christmas. What's happening out there doesn't make for a festive spirit.

Here's what seems to be ahead in China:

(1) Communist troops soon will take over the whole north bank of the Yangtze.

(2) A new temporary Nanking government will be formed, perhaps headed by Li Tsung-jen (now the equivalent of vice-president).

(3) After a truce, a coalition government will be set up. It will include some of the new Nanking group; but it will be dominated by the Communists.

(4) Fighting will end—except in remote provinces like Yunnan, or perhaps in Kwangtung. (Remnants of the Kuomintang might hold out in Canton, capital of Kwangtung.)

Indo-China and Indonesia are the other spots in the Far East that have Washington worried.

The French are losing ground in Indo-China. Communist victories in China have given the Viet Nam revolutionaries new hope. And French materiel, especially trucks and aircraft, is wearing out.

Dutch military action against the Indonesian Republicans looks like a dangerous gamble to the State Dept. The Dutch may pull a quick victory, but it could bring the Communists to the fore as leaders of Indonesian nationalism.

Washington is going to offer Paris a compromise over control of the Ruhr. Whether the French take it is something else again.

Paris, of course, wants a Ruhr free of any German control. The U. S. and Britain have been figuring on turning the Ruhr back to the Germans when the occupation armies go home.

So this is the compromise: The U. S. and Britain will continue international control after the occupation—but with the Germans having some voice in it.

It's this last proviso—letting the Germans get a toe in the door—that the French object to.

Then there's the question of ownership in the Ruhr.

Despite French talk about international ownership, the State Dept. still thinks the properties must go back to the Germans; also, that any decision between private and public ownership must be settled by a future German government.

Washington wants this nationalization issue settled as soon as the new West German regime is established. (This should be about mid-1949.)
Reasons:

(1) German trade unions are agitating for a final decision.

(2) There's danger that former Nazi owners may worm their way back if action is delayed.

Western Europe boosted the volume of its production by 14% between April 1 and September 30—the first six months of the Marshall Plan.

During September alone, output was 28% higher than in September, 1947; and it was 41% above the monthly average for 1946. But owing to the lag in western Germany, output was still 26% below prewar.

True, western Germany's comeback has been fast this year. In fact, Germany accounted for most of the 14% gain last spring and summer. But

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
DECEMBER 25, 1948

in September—despite all the gains—Germany's pace was still 44% behind prewar.

Has western Europe been selling scarce metals—bought with Marshall Plan dollars—to the U. S. at a profit? The Economic Cooperation Administration still thinks so.

U. S. trade figures show it. Until our statistics are proved wrong, ECA will stick by its charge that Britain, Belgium, and Holland have been selling aluminum and lead here at premium prices. Meanwhile, these countries will get fewer ECA dollars to buy these metals.

It could be that the European governments aren't guilty of any breach of faith with ECA. Private traders may have been slipping under the controls. Whatever the method, ECA is out to stop it.

Four more years of austerity—that's Britain's plan to get out of the red by 1952.

Imports will be held at about the present level—at least 15% below 1938 by volume. (Food imports will actually go down.)

Exports are to rise 50% above 1938, up 10% on this year.

Manufacturing output is to rise 40% above 1938 volume (13% above 1948); agricultural output, 50% above prewar.

Chancellor Cripps wants Britain to more than break even in 1952-53, the first year after the Marshall Plan ends. He wants a surplus of \$400-million for investment abroad.

Cripps is counting on more invisible exports—earnings from shipping, insurance, overseas investments, and oil sales—to bring this surplus.

Sales of oil from British-owned sources abroad are supposed to net an annual \$600-million by 1952. Some of the oil will be sold as crude (to the U. S. among others); some of it will be refined in Britain, particularly for the European Continent.

Will Cripps be able to hold British labor to his austerity line?

Last week he headed off a Labor Party group that wants tighter price controls and lower taxes on consumer goods. He flatly told the rebels that he wouldn't tighten up controls or cut taxes. His position: Living costs will go down only with more production or more savings. (The rebels are sure to try again as the next election gets closer.)

But Cripps also lost a round in his fight. Against his advice, the Cabinet decided to spend \$200-million on new schools in 1949. This is double what Cripps wants. He fears the inflationary effects of the added demand for labor and materials.

The British are supplying Russia with 2,850 small diesel generators. Brush Electrical Engineering Co., Ltd. will build them for about \$22-million.

This is the biggest contract for British machinery yet signed under the December, 1947, Anglo-Russian trade agreement. But it brings the machinery total to only \$32-million—as against an agreed figure of \$80-million.

The Russians are ahead of schedule on their grain deliveries to Britain. During the first nine months of 1948 they shipped about \$75-million worth of barley, corn, and oats.

BUSINESS ABROAD



California's Rep. Willis Bradley



ECA Administrator Paul Hoffman



Maritime Commissioner Grenville Mellen

Feuding Over ECA's Shipping Policy

Hoffman says he won't ship 50% of ECA goods in U. S. bottoms. U. S. shipping interests, and some congressmen object.

Two powerfully backed Washington policies clashed head on last week. On one side in the fight is ECA; on the other are the government agencies and congressmen concerned with U. S. shipping policy. The issue is this: Should ECA dollars be used to subsidize the U. S. merchant fleet?

• **ECA's Answer**—ECA boss Paul Hoffman says no. He has decided that, as of Jan. 1, he will ignore Congress' recommendation that at least 50% of Marshall Plan shipments from the U. S. be shipped in U. S. bottoms. He is said to have taken this stand after several prods from W. Averell Harriman, ECA's roving ambassador, and Richard M. Bissell, ECA's assistant deputy administrator.

Hoffman is aiming at U. S. tramp operators whose rates, he thinks, are too high. U. S. tramp ships handled about 51% of Marshall Plan bulk shipments (mostly coal and grain) reported during ECA's first seven months. And bulk shipments have made up more than 80% of the tonnage shipped from the U. S. to Europe under ECA so far. To U. S. tramp operators it has meant more than \$51-million. Other types of U. S. cargo carriers earned only about \$8.8-million from ECA in that period.

• **Loophole**—Hoffman's stand is technically based on a loophole in ECA law. When Congress framed the "50-50" clause, it used the words "where prac-

ticable" and "at market prices." For the sake of legality, Hoffman has pounced on this terminology to justify his right to ignore the clause.

Actually, his reason is this: His job is to administer ECA funds for efficient recovery purposes. He thinks that by paying higher U. S. ocean freight rates he is wasting taxpayers' money.

• **Tender Corns**—But Hoffman has stamped hard on the toes of government protectors of the shipping interests. Rep. Willis Bradley (R., Calif.), who authored the 50-50 clause, reacted first. He was sure Congress "had no intention of subjecting American shipping to competition with cheap labor tramps of low-income nations of the world." Congress, Bradley said, meant that the rates fixed by the U. S. Maritime Commission for ships it lets out on charter should be considered "market prices." Most U. S. tramps in ECA trade are chartered from the commission.

The Maritime Commission, officially, doesn't take a stand in the matter. But Commissioner Grenville Mellen didn't deny he is pretty sore about the whole thing.

• **Pro**—Stripped of nonessentials, ECA's case is this:

(1) Higher U. S. freight rates cut the value of the recovery dollar. For example, if the freight-rate differential is \$4.50 per ton of coal—as it was in the month of September—it adds about

25% to the delivered price in France.

(2) A high delivered price of U. S. coal acts as a price support for all coal imported by western Europe. Britain, for example, has been able to jack up the price of its coal exports to the continent, thanks to high-priced U. S. competition.

(3) If foreign ships were allowed a bigger share of ECA's business, western Europe's dollar-earning power would be increased; recovery would be speeded.

(4) It is impossible to police the 50-50 clause.

• **Con**—U. S. shippers snap back with an answer to every point in ECA's case. They say that foreign shippers are out to drive the U. S. merchant fleet from the seas.

If Hoffman carries through his decision to scrap the 50-50 clause, U. S. shippers predict that foreign rates will keep dropping until U. S. competition folds up. That means: until the 100 or so ships chartered from the Maritime Commission and the 40-odd private U. S. ships that are currently ferrying bulk goods for ECA are forced out of business. Then, say the shippers, the foreigners will jack up their rates to ECA's ceiling.

• **Reasoning**—Here's what the U. S. operators base their gloomy prediction on:

The Maritime Commission fixes minimum rates that can be charged by operators using Liberty and Victory ships chartered from the commission. In the typical case of coal going to France, that rate is \$11.15 per ton.

At the same time, ECA sets a maxi-

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BULK GOODS (here, U. S. coal is being unloaded at Genoa) is at the heart of ECA's shipping-rate squabble

...mum rate it is willing to pay U. S. operators. And it guarantees that the U. S. rate shall be at least \$2 per ton more than the rate paid to foreign carriers. In the case of coal going to France, ECA fixed the Maritime Commission's minimum rate of \$11.15 per ton as its maximum. That meant: For the same shipments in foreign ships the rate would be at most \$9.15 per ton.

Actually ECA has been paying much less than that to foreign shippers loading coal for France. In June the average was \$8.65. In September, when ECA coal shipments were at a record low, the figure dropped to \$6.60. The first week of December—after Hoffman made his announcement—the rate jumped back to \$8 a ton. And last week it was pressing \$8.50.

• **Not Typical**—ECA took the figure for September to build up its case against the 50-50 clause. At that time the rate differential was \$4.50 per ton of coal bound for France. Here the shippers cry "foul" on two points:

(1) The September figure was the exception rather than the rule for coal, and the grain differential was much less;

(2) The shippers say foreign carriers couldn't possibly operate at such a rate without taking a loss.

• **Statistics**—To prove that foreign shippers were operating at a loss, U. S. shippers point to statistics one of them dug up on how much it costs Marshall Plan nations to operate their coal carriers to France. Costs per ton of coal—not including any return on capital—were reported as follows:

France\$6.98	Britain\$6.94
Greece 7.17	Norway 6.85
Sweden 6.92	Italy 6.61
Denmark 7.13		

Add in 5% return on capital and

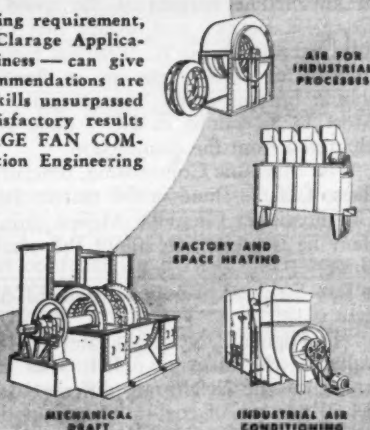
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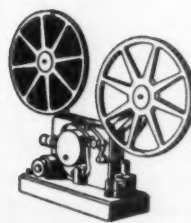
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PAG

U. S. operators can't see how their foreign competitors could possibly be making both ends meet at ECA's September average rate of \$6.60 per ton.

So, U. S. shippers conclude, it must have been a conspiracy all along. The foreigners let their rates drop to give ECA a reason for ignoring the 50-50 clause. Now that ECA has obliged, foreign shippers are working back toward ECA's top price.

• **No Price Prop?**—Concerning the shipping cost's effect on coal prices in Europe, U. S. shippers say: The delivered price of coal couldn't possibly be a support price for all of western Europe's coal imports; U. S. ships don't take enough coal to Europe to make that much difference.

• **Policing**—As to policing the 50-50 clause, the U. S. shippers don't see why ECA has any gripe coming. They point out that the Export-Import Bank has policed a 100% clause for years. So, they ask, why can't ECA's transportation officials do a similar job? If they can't, Maritime Commissioner Mellen has said he can.

• **Earning Power**—The U. S. shippers don't deny that scrapping the 50-50 clause would give western Europe greater dollar-earning power. But they think this is a fearful price to pay for reducing the U. S. to what they say would be a third-rate maritime power.

They say that the 100-odd ships now on charter from the Maritime Commission for ECA trade would have to be turned back to the commission. The other 200 or so ships out on charter, they assert, would sooner or later have to be turned back, too. And these ships are much more of a drag on the taxpayer lying idle than they are in service.

Actually, U. S. tramp operators admit they are just out to postpone their ultimate doom. They know that, after ECA closes shop, almost all ships chartered from the Maritime Commission will have to be turned in. But they don't see why it has to happen now. Given time they may be able to devise a substitute for ECA that will still keep the U. S. a top-flight maritime power.

• **Up to Congress**—Chances are the best the shippers can do right now is to make Hoffman hold off until the next Congress meets to decide what the last Congress meant when it drew up the 50-50 clause. Fraser A. Bailey, president of the National Federation of American Shippers, has written the congressional "watchdog" committee (Congress' private eye following ECA activities) to ask it to get action deferred until the new Congress meets. At the same time, the Maritime Commission has requested President Truman to take the same action.

What the new Congress will do is anybody's guess. The shippers will have a good champion in Rep. Otis

Schuyler Bland (D., Va.), who takes over chairmanship of the House Merchant Marine & Fisheries Committee in the new Congress. Last week he came out in favor of the 50-50 clause. And the 50-50 clause had large bipartisan support in the last Congress.

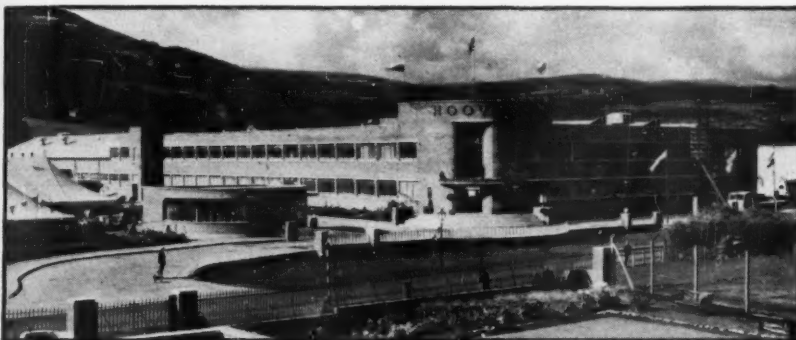
But the congressional watchdog committee seems disposed to back Hoffman. And there is little chance President Truman will move to reverse the ECA administrator's stand.

• **Compromise?**—A compromise is entirely possible. One that has been sug-

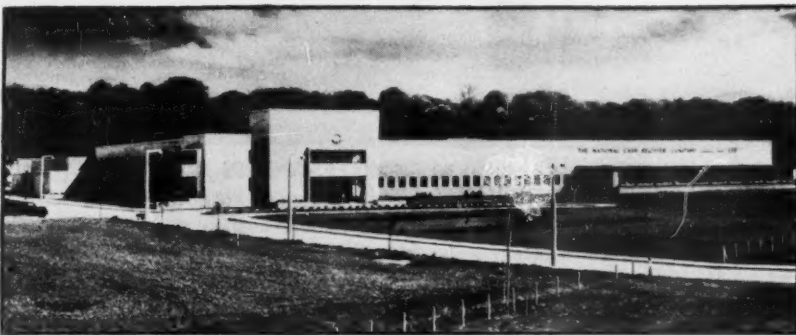
gested is that Congress grant the shippers a subsidy. The money would make up the difference between ECA's rates to foreigners and to U.S. operators.

That wouldn't solve the policy dilemma. Foreigners using recovery funds would still be competing with a subsidized U.S. business. But Hoffman would have a clear conscience in that he would be using recovery funds only for recovery purposes. The shippers would be appeased.

And the U.S. taxpayer would pay for it.



New U.S. Plants in Britain, Like Hoover's and . . .



. . . National Cash Register's, Aid Recovery

These two plants are concrete expressions of U.S. business' postwar interest in Britain.

• **New Plants**—Hoover, Ltd., a branch of Hoover Co., opened its new plant in Merthyr Tydfil, Wales, last October. The plant is turning out washing machines—a new product for Hoover. Some 94% of the current production, which now runs 2,000 a week, goes for export. Hoover plans to double its output in a year if it can get new machinery.

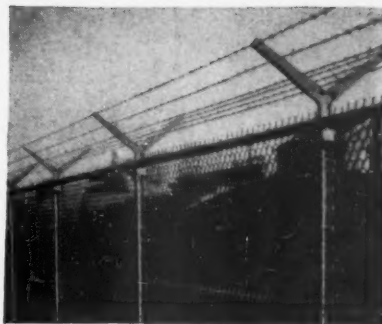
Up in Scotland, National Cash Register Co.'s Dundee plant is saving British foreign exchange: It produces much-needed business machines for the home market. The plant was opened in June, 1947.

• **Others Interested**—Almost 50 U.S. firms are now angling for British-government permission to launch new manufacturing projects or expand existing

ones. About half want to step up existing operations.

Seven U.S. firms have applied for ECA guarantees totaling \$4.5-million to cover proposed British investments. (The guarantees insure they can bring their capital back home—up to 100% if desired—within 14 years.) Only one guarantee (for \$850,000) has been granted. That went to Godfrey L. Cabot Co., Boston, for construction of a carbon black plant near Liverpool.

• **Transfer Profits**—Britain is well disposed toward the U.S. investors—if they earn foreign exchange by contributing to Britain's export drive, or help save precious dollars by producing more British needs at home. The investors are allowed to transfer normal profits back to the U.S., without undue red tape (but capital transfer is out if it isn't covered by ECA).



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ENCLOSE YOUR PROPERTY
WITH**

Realock Fence

Unauthorized entry is effectively prevented by sturdy, tamper-proof Realock* Fence. Made of steel wire, heavily galvanized, this low cost, weather-resistant fence guards your property 24 hours a day.

Estimates for fence material ready for erection or covering complete installation by trained crews, available without obligation. Write our nearest office.

*Trade-name of The Colorado Fuel and Iron Corp. and subsidiaries.



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Dividend Notice



The Board of Directors of The Magnavox Company has declared a cash dividend of 25 cents a share on the company's outstanding capital stock, payable January 15, 1949, to stockholders of record December 27, 1948. At the same time, the directors declared a stock dividend of 10 per cent, payable January 15, 1949, to stockholders of record December 24, 1948.

R. A. O'CONNOR,
President and Treasurer

IF YOU HAVE

INDUSTRIAL or COMMERCIAL
REAL ESTATE FOR SALE OR RENT
advertise it nationally as
well as locally in the
**NATIONAL REAL ESTATE SECTION
of BUSINESS WEEK**

Americans Rebuilding Greece

Transportation is almost as big a headache in Greece as the Communists. Right now U. S. engineers are getting better results dealing with transportation than U. S. arms and ammunition are in dealing with Communists.

Three New York engineering companies—J. Rich Steers, Inc.; Grove, Shepherd, Wilson & Kruege, Inc.; and Atkinson-Drake-Park—are putting the finishing touches on \$81-million worth of re-

construction projects. Steers and Grove engineers have reopened the Corinth Canal—a 4-mi. cut that links the Peloponnesus peninsula with the rest of Greece. The same team has just about cleared the ports of Piraeus with Velos.

Atkinson-Drake-Park has rebuilt 750-mi. of Greek highways and 15 large bridges. Big jobs: highways connecting Athens with Corinth (to the west) and Salonika (to the north).



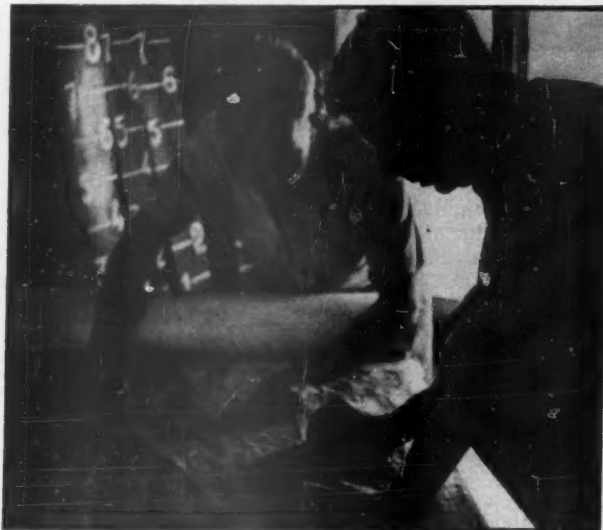
A REOPENED CANAL AND . . .

After years as a war casualty, the Corinth Canal is open again. Trade routes to the West are shortened by 202 miles



. . . A NEW HIGHWAY CONNECT GREEK PORTS WITH THE WEST

Atkinson-Drake-Park introduced modern U. S. machinery, like this asphalt finisher, and used Greek labor in rebuilding the Athens Corinth highway at better than 1.5-mi. a day. A-D-P also built a railway bridge and a highway bridge across the Corinth Canal



GREECE GETS ACQUAINTED WITH U. S. ENGINEERS . . .

John R. Murphy (right), with a U. S. Army aid, bossed the canal reconstruction. He had to dredge out 1,800 tons of bridge steel, 130 freight cars, 6 locomotives and 600,000 cu. meters of earth



. . . AND THEIR WIVES

Wives of U. S. engineers traveled along in style. They lived in a mobile camp of trailers which had all the comforts of home—showers, refrigerators, and its own power plant for light and heat

PA

ECA'S LEDGER

More Machinery Sales Due

There is no doubt that U.S. manufacturers will be getting more business from ECA as time goes on. Today ECA is spending 60¢ of every dollar on industrial commodities. That is just about the reverse of the situation during the first quarter of ECA's operations, which began last April. And ECA says that manufacturers of such things as machinery, motor vehicles, and iron and steel mill products will be getting an even bigger slice of the pie as time goes on.

Here's a breakdown of ECA's agricultural spending versus its industrial spending (in millions of dollars):

	Apr. 1 Total to June 30	Oct. 1 to Nov. 15
Food Items	\$1,329	\$385.7
Industrial Items ..	1,370	267.5
		611.3

Machinery, including farm machinery and implements, came in for \$168-million in ECA authorizations from Apr. 1 through Nov. 15. Almost \$123-million of this was authorized between Oct. 1 and Nov. 15.

Other Developments

ECA 1949-50. Paris reports say western European countries will ask about \$238-million less in dollar aid from the U. S. next fiscal year. Britain, France, Ireland, Trieste, and Bizonia are asking smaller allotments than they got this year. All other countries want the same or greater allotments. Norway and Greece are asking almost \$50-million more apiece; Turkey, nearly \$45-million more; Sweden \$25-million more.

Tourists. ECA reports that Marshall Plan nations and the U.S. have concluded a total of 126 bilateral agreements aimed at cutting red tape that might trip up travel boom in Europe. Meanwhile, the U.S. tourist is already finding European travel easier all the time. Nine western European countries no longer require U.S. tourists to have visas. Big exceptions: France, Eire, and Portugal.

Procurement Authorizations. ECA spending went over the \$4-billion mark last week. From the start through Dec. 15, the big takers were: Britain, \$1.1-billion; France, \$936-million; Italy, \$437-million; western Germany, \$393-million; Netherlands and Netherlands East Indies, \$348-million; Austria, \$178-million; China, \$170-million; and Belgium, \$130-million.

For the week ended Dec. 15, authorizations totaled \$96-million. Cotton was the big item, accounting for \$24.4-million. Vehicles and equipment came in for \$12.8-million; machinery, for \$9.1-million.

ADVERTISERS IN THIS ISSUE

Business Week—December 25, 1948

THE ADDRESSOGRAPH-MULTIGRAPH CORP. Agency—The Griswold-Eshleman Co.	67	KEASBEY & MATTISON CO. Agency—Geare-Marston, Inc.	55
ALUMINUM CO. OF AMERICA Agency—Fuller & Smith & Ross Inc.	39	LUSCOMBE AIRPLANE CORP. Agency—Tracy, Locke, Co., Inc.	60
AMERICAN AIR FILTER CO. Agency—The Griswold-Eshleman Co.	1	THE MAGNAVOX CO. Agency—Doremus & Co.	77
AMERICAN APPRAISAL CO. Agency—Klau-Van Pietersom-Dunlap Assoc., Inc.	56	MCCLOSKEY CO. Agency—Bond & Starr, Inc.	65
AMERICAN GAS ASSOCIATION Agency—Ketchum, MacLeod & Grove, Inc.	2	MCGRAW-HILL DIGEST	42
AMERICAN OPTICAL CO. Agency—Sutherland-Abbott	28	MCGRAW-HILL PUBLISHING CO., INC.	44-45
BABCOCK & WILCOX CO. Agency—O. S. Tyson & Co., Inc.	75	METROPOLITAN LIFE INSURANCE CO.	35
BALDWIN LOCOMOTIVE WORKS, INC. Agency—Ketchum, MacLeod & Grove, Inc.	51	THE MICHAELS ART BRONZE CO., INC.	76
BELDEN MFG. CO. Agency—The Fensholt Co.	4	THE MINNEAPOLIS & ST. LOUIS RAILWAY	76
CHAIN BELT CO. & BALDWIN-DUCK-WORTH DIV. Agency—The Buchen Co.	6	Agency—The Fadell Co.	
CLARAGE FAN CO. Agency—W. J. Williams Adv. Agency	74	MONARCH RUBBER CO. Agency—H. M. Klingensmith Co.	66
COLORADO FUEL & IRON (WICKWIRE SPENCER STEEL DIV.) Agency—Fuller & Smith & Ross Inc.	77	MUTUAL BENEFIT LIFE INSURANCE CO.	56
COLSON CORP. Agency—Carr Liggett Adv., Inc.	29	Agency—Chas. Dallas Reach Co., Inc.	
THE COOPER-BESSEMER CORP. Agency—The Griswold-Eshleman Co.	47	NORTON CO. Agency—John W. Odlin Co., Inc.	33
DEARBORN CHEMICAL CO. Agency—The Fensholt Co.	59	OWENS-CORNING FIBERGLAS CORP.	18
ELECTRIC INDUSTRIAL TRUCK ASS'N. Agency—Ketchum, MacLeod & Grove, Inc.	7	Agency—Fuller & Smith & Ross Inc.	
ELECTRIC STORAGE BATTERY CO. Agency—Geare-Marston, Inc.	14	OZALID PRODUCTS DIV., GENERAL ANILINE & FILM CORP. Agency—Young & Rubicam, Inc.	57
ELWELL-PARKER ELECTRIC CO. Agency—The Bayless-Kerr Co.	58	PITNEY-BOWES, INC. Agency—L. E. McGivena & Co., Inc.	74
FELT & TARRANT MANUFACTURING CO. Agency—N. W. Ayer & Son, Inc.	27	PYNOL CO. Agency—Mace Adv. Agency, Inc.	60
FRICK CO. Agency—Waynesboro Adv. Agency	64	RCA COMMUNICATIONS, INC. Agency—Albert Frank-Guenther Law, Inc.	70
GENERAL BOX CO. Agency—The Buchen Co.	46	RECORDAK CORPORATION (SUB. of EASTMAN KODAK CO.) Agency—J. Walter Thompson Co.	69
GENERAL ELECTRIC CO., PLASTICS Agency—Benton & Bowles, Inc.	2nd Cover	REMINGTON RAND, INC. Agency—Leeford Adv. Agency, Inc.	5
GENERAL ELECTRIC CO. Agency—G. M. Basford Co.	61	ROYAL TYPEWRITER CO., INC. Agency—Young & Rubicam, Inc.	17
GLOBE AUTOMATIC SPRINKLER CO., INC. Agency—Marshalk & Pratt Co.	66	SHELL OIL CO., INC. Agency—J. Walter Thompson Co.	3rd Cover
GLOBE HOIST CO. Agency—Fairall & Co.	38	SKF INDUSTRIES, INC. Agency—Geare-Marston, Inc.	37
THE B. F. GOODRICH CHEMICAL CO. Agency—The Griswold-Eshleman Co.	4th Cover	F. J. STOKES MACHINE CO., INC. Agency—John Mather Lupton Co., Inc.	49
GOODYEAR TIRE & RUBBER CO., INC. Agency—Kudner Agency, Inc.	40-41	THE STURGIS POSTURE CHAIR CO. Agency—Blaco Adv. Agency	38
GULF OIL CORP. Agency—Young & Rubicam, Inc.	11	TINNERMAN PRODUCTS, INC. Agency—Meldrum & Fewsmith, Inc.	30
HOUSEHOLD MAGAZINE Agency—The Buchen Co.	53	U. S. TREASURY DEPT.	52
		VEEDER-ROOT, INC. Agency—Sutherland-Abbott	3
		WARREN WEBSTER & CO. Agency—William Jenkins, Adv.	32
		WESTINGHOUSE AIR BRAKE CO. Agency—Ketchum, MacLeod & Grove, Inc.	12
		WESTINGHOUSE ELECTRIC CORP. Agency—Fuller & Smith & Ross Inc.	8
		WHITING CORP. Agency—The Fensholt Co.	63

THE TREND

Is There Enough Purchasing Power?—II

Is the consumer purchasing power, necessary to sustain the present boom, running out?

We last addressed ourselves to that specific question in this space on Jan. 31, 1948. At that time we remarked: "Currently this question generates more heat than light." So we presented a new and more factual approach, "to cool off the arguments with a shower of facts."

Certainly the debate today is raging more fiercely than ever. Contributing reasons are last month's poor retail showing at department stores, and the recent easing in prices and output in some textile and other lines. So we are turning on the faucets of cold figures again.

Our facts are shown in the accompanying chart. (For a full explanation of what we did we refer you to the Trend of last Jan. 31. Briefly, we plotted consumer income after taxes and consumer purchases of goods and services—"everything from food to hunting dogs." Both these sets of figures, of course, came from government sources. In addition, we introduced a new series of figures showing the value of this country's output of consumer goods. To do this we had to develop some new statistics to cover the value of consumer production that went into inventory, or into exports—over and above imports of consumer goods.)

We wish to highlight three significant recent trends that appear in the chart directly above:

(1) Consumers are saving more of their current incomes; consumer purchases have not been expanding so fast as consumer incomes.

(2) The value of net exports and inventory additions has been diminishing.

(3) The value of total consumer output has been holding almost level in 1948. This results from the easing in the export-and-inventory factor and the slowing rise of consumer purchases.

These facts help a lot to explain what has happened to many consumer lines in the last six or 12 months. While the total value of consumer output has held steady, certain expenditures have increased—on automobiles, on other durable goods, and on housing rents

and upkeep. Naturally, then, spending on some other consumer goods has suffered.

But this brings us back more forcefully than ever to the original question: Is purchasing power running out? On the face of it, the answer is plainly No! For consumers have more spendable income, and the portion of it that they are *not* spending is rising. Purchasing power is not being used.

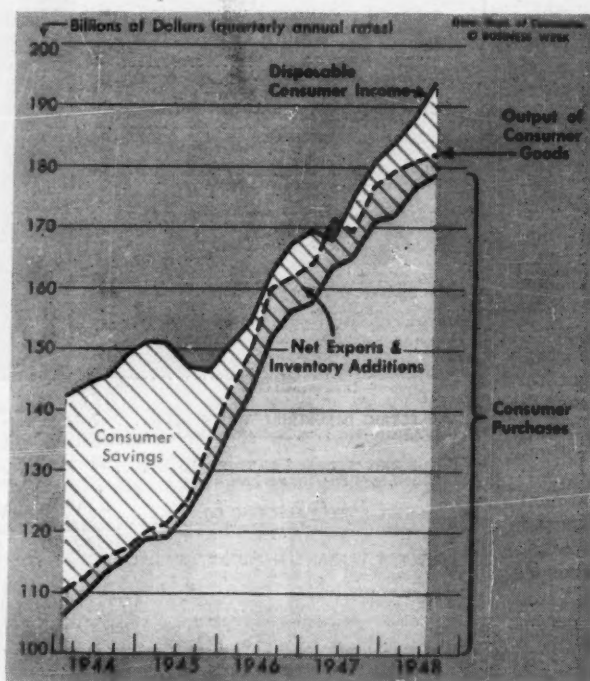
Now we may ask ourselves: Why are consumers saving more, instead of spending? Is it because they have met their most urgent pent-up needs for some goods? Is it because they expect lower prices in the near future?

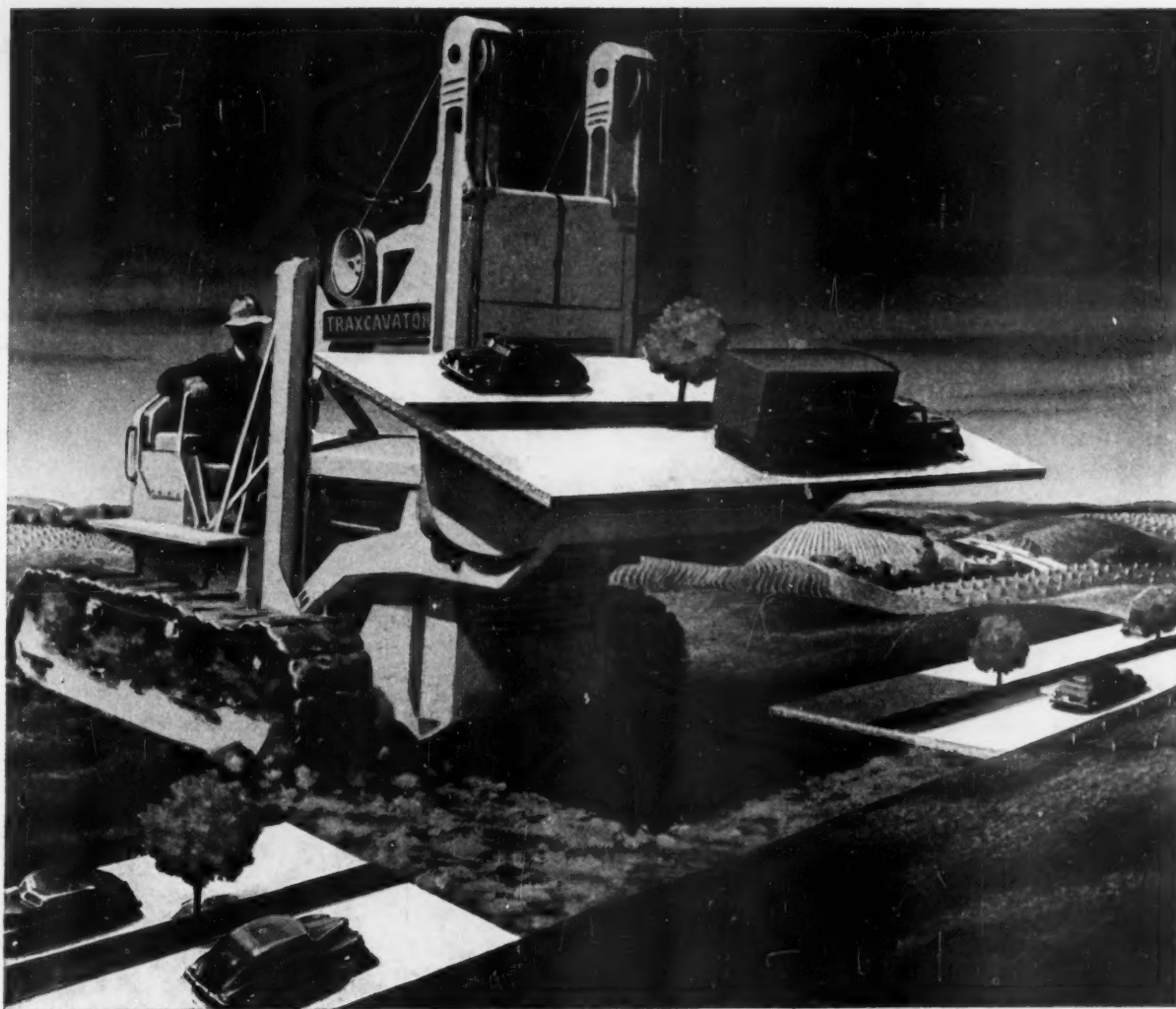
Is it because wartime savings used for postwar spending are running out? Is it because a larger slice of total income is going to the upper brackets which spend less and save more?

No doubt all such factors have each played some part in recent events. But they do not tell us that purchasing power is running out. All we know, as certain, is that the fever of postwar buying has cooled. That fever contributed mightily to inflation. The fact that it has cooled can be a symptom of improvement in the patient. We interpret a more normal pattern of prices, spending, and saving to mean a healthier American economy, with greater chances to sustain full production and full employment.

(Because of the way our chart is set up, lower prices could show up in the chart as declines in consumer purchases and in consumer-goods output.)

We do not pretend to have a perfect statistical answer to the purchasing power question. It is not easy to measure accurately such large totals as income or spending, even when the government tries it. But we shall go on trying to improve it—and if you can help us, please do so. But, at least initially, our chart says that purchasing power is not running out. To answer any new questions that it may raise, one must search further and probe more deeply into the operations of the American economy. At that point, we are sure, the want for more light must replace the urge for greater heat in the arguments about purchasing power.





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TRUST the little woman to pretty-up the place she spends a lot of time in. Trust her, too, to discover a material for her kitchen that's high in glamour, low in cost and has dozens of uses.

That's why she chooses Marvalon, the amazing new decorative material that can be used for shelving and table covers as shown in the picture of the glamourized kitchen. It is made from reinforced cellulose fibre and coated with Geon polyvinyl chloride resin.

The novel idea of coating reinforced cellulose fibres with Geon gives Marvalon its amazing range of qualities that make it so useful. It won't crack, peel or fray. It is stain resistant, odorless and so easily washable—tough enough for wall covers. The skillful use of Geon in this new development opens up possibilities for new products and improvements in others. Perhaps it will give you an idea. If so, tell us and we will send you information on how Geon polyvinyl materials might be used for your product.

Remember, we make no finished products from any of the raw materials we manufacture. We invite you, however, to take advantage of our technical service for any problems or special applications you may have in mind. Write to B. F. Goodrich Chemical Company, Dept. A-13, Rose Building, Cleveland 15, Ohio. In Canada: Kitchener, Ont.



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